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American Petroleum Institute
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Washington, D.C. 20005

Monthly Statistical Report

Prepared by the Statistics Department **Vol. 8, No. 10**

NOVEMBER 15, 1984 **OCTOBER 1984**

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

October's increase in total domestic products supplied over the year-earlier level was 2.6%, slightly higher than the percentage increase experienced in September. Demand for gasoline, kerosine jet fuel, and "other oils" was ahead of last year's, but distillate demand declined slightly. With prices for major products showing few significant changes, the recent somewhat-lower rates of year-to-year increases in total product demand seem to reflect the slower growth of the economy since midsummer.

Crude production showed only a minimal plus in October. Imports rose more than 11%. Inventories rose about 17 million barrels in October, twice their normal seasonal rise.

Rig activity increased about 5% over last October's level. The number of wells reported drilled in September rose more than 16% over year-earlier levels. October data are not yet available.

PRODUCTS SUPPLIED[1/]

Gasoline

DELIVERIES UP LESS THAN 1%. The level of gasoline deliveries rose a minimal 55 MBD (0.8%) in October over last year's. As detailed later in this Report, higher gasoline demand is in rising proportion being satisfied by sizable increases in gasoline imports.

Gasoline prices at the pump were virtually unchanged in October from the prior month's level. Adjusted for inflation, they were, however, about 25% below the 1981 highs. These lower prices have been, of course, a major contributing factor to the fall in spot crude prices and the recent downward pressure on official OPEC crude prices.

The lower price levels, aided by a roughly 7% increase in real disposable income since last year, have helped to strengthen gasoline demand. Recent slowing of economic activity from high early-1984 levels has acted as an offsetting factor to the price/disposable income effects. Increases in engine efficiency have also had a dampening effect, though the roughly 4½% average efficiency increase (represented by "miles per gallon" improvements) experienced during the 1979-1982 period fell by more than a third, to 2.8%, in the 1982-1983 interval. The latest improvement in engine efficiency lowered gasoline demand by about 150 MBD, even after adjusting for additional miles driven because of lower effective costs per mile.

Unleaded gasoline's share of the total motor gasoline market rose to almost 61%, up 4.4 percentage points over last October but minimally below September's increase. New car sales have been running some 10% ahead of last year, adding gradually to the growth in unleaded gasoline's share of the gasoline market.

Distillates

DELIVERIES DOWN ABOUT ½%. Deliveries of distillate fuel oil fell 14 MBD (0.5%) below October 1983's level, a month in which deliveries were running more than 100 MBD below the then-prevailing trend. Last month was the warmest October since 1971.

The impact of weather on distillate consumption is not large at this time of year, but the fact that this October was 17% warmer than last year still is likely to have reduced demand by 40-50 MBD. In addition, petroleum price uncertainty in world markets has had a negative impact on filling of distributor storage of distillates.

Truck and railroad traffic levels are also undergoing major changes. Truck traffic increases, in "teen" percentages early in the year, slackened to 2% in September and are estimated to have remained at essentially the same level in October. Railroad traffic fell some 7% in October. The total of "on-highway" and railroad diesel deliveries thus is likely to have been about equal to last year's level.

Residual Fuel Oil

DOWN ALMOST 9%. Residual fuel oil fell 107 MBD (8.6%) from October 1983 levels. Bunker fuel deliveries apparently still have not returned to prior-year levels. In August, the most recent month for which data are available, heavy fuel oil laden on vessels engaged in worldwide trade rose minimally; for the first 8 months of 1984, however, such bunker fuel purchases - a large share of total bunker fuel supplied - are estimated to have averaged about 30 MBD less than in the corresponding 1983 period.

Use by the electric utilities fell about 60 MBD on average for July and August combined. The September/October swing-over of seasons saw a cooler September than last year and warmer October—both tending to reduce electricity needs. Electricity generation rose only an estimated 2½% over last year during the September/October period, while year-to-year increases for the prior eight months had been at more than twice that rate. In addition, petroleum's share of energy consumed to produce electricity has continued to slide.

While use of residual fuel oil in the industrial sector had been showing some signs of revival, recent year-to-year increases were to a large degree the result of a general downtrend in the industrial sector's residual fuel oil demand that did not show signs of reversal until last October. But available data indicate that, even against still-low 1983 levels, August deliveries (latest applicable data) showed a surprisingly high rate of decline. Lower third-quarter economic growth, such as indicated by recent drops in year-to-year industrial production increases to about half early-1984 levels, likely contributed to the lowering of industrial sector purchases in succeeding months.

Overall, natural gas prices have been relatively stable over the past year, though prices to industrial customers have shown slight declines. Residual fuel oil prices, after declining in July and early August, rallied in late August and September. They experienced only minor changes early in October, though weakness developed later in the month. The resultant lack of any decisive incentive continued to hold switching between these two products by industrial users to a minimum.

Kerosine Jet Fuel

UP 21% OVER LAST OCTOBER. Kerosine jet fuel deliveries rose 173 MBD (21.1%) over year-earlier levels to the highest level for any month in recent history.

Kerosine jet fuel prices recently have been about 2¢/gallon below year-ago price levels. While October data on "miles flown" are not yet available, air traffic most likely continued to grow at the same 9%-10% as in recent months, partly in response to the availability of incentive fare offerings. The large October increase may also be related to the desire of operating companies at airports not served by direct pipelines, or not in close proximity to refining centers, to replenish storage.

Other Oils

UP 7% OVER OCTOBER 1983. Other oils are estimated to have been supplied at a 6.8% higher rate in October. Road building activity is at higher levels. While chemical industry sales also continue to be strong, they have shown lesser gains recently, and rising imports have been making steady inroads into the domestic market.

(In millions of B/D)	OCTOBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.4	15.0	2.6	15.8	15.1	4.8
—Motor gasoline supplied	6.6	6.6	0.8	6.7	6.6	1.7
—Distillate fuel oil supplied	2.6	2.6	(0.5)	2.8	2.6	9.0
—Residual fuel oil supplied	1.1	1.2	(8.6)	1.4	1.4	(0.3)

SUPPLY[1/]

Total supply exceeded last October's level by 548 MBD, essentially as a result of higher imports (563 MBD).

Production

ABOUT EVEN WITH OCTOBER'S LEVEL. October crude oil production exceeded last year's only minimally (5 MBD). Despite a boost from additional production at Kuparuk as a second production facility was brought on stream, total Alaskan production was slightly below last October's. Lower 48 output continued to hold above year-earlier levels, though a disproportionate part of output increases has been in states with lesser base production levels, some evidence of a shift towards newer production regions. Total lower 48 production levels have exceeded 7 million barrels per day since spring.

Imports

UP 11% OVER OCTOBER 1983.

Imports rose 563 MBD (11.1%) over last year's. This is a departure from the lower levels of imports in the third quarter and in contrast to last October's below-trend levels.

The volume of imports for short-term periods often varies significantly from underlying trends as a result of uncertainty about future world supply and prices. For the third quarter, for example, import levels were depressed because of substantial price and production fluctuation during the summer. When relative stability was attained towards the end of September and in early October, purchases were apparently stepped up, with oil starting to reach the U.S. in October.

Distillate imports were about one-third higher in October than last year's level. Gasoline imports exceeded last October's level by 8% and for the year to date have exceeded last year's levels by about 50 MBD, or roughly 20%. There has also been some concern that import figures reported by the Department of Energy and the API may understate gasoline imports by between 30 and 50 thousand barrels per day. This results from the possible failure of some gasoline importers to report their product imports to DOE and API, and definitional problems in product classification which may make it difficult to distinguish these imports from chemical and related imports.

Mexico continued to be the largest source of imports into the U.S., followed by Canada, Venezuela, and Saudi Arabia.

Inventories

UP 17 MM BBLS. FROM THE SEPTEMBER LEVEL.

Inventories rose about 17 million barrels in October from the September total, roughly twice the average seasonal change. The increase is the result of higher crude, gasoline, and distillate inventories.

Crude inventories, largely as a result of crude imports some 250 MBD over September levels, rose about 3 million barrels to 334 million barrels, minimally below the 340-360 million barrel range that has prevailed for almost three years. Distillate inventories rose about 12 million barrels in October, three times the normal seasonal rise. Stock levels on the East Coast, the major heating oil consuming region, rose a very substantial 15 million barrels in October.

Gasoline inventories rose about two million barrels, the first October increase since 1973, as a result of substantial production levels arising from continued build-up of distillate stocks. Meanwhile, the gasoline demand increase was minimal. Gasoline inventories represent 35 days of supply, slightly above average for this time of year.

An article starting on page 5 discusses changes in inventory and demand seasonalities for motor gasoline and distillates and likely causes and implications of these changes.

Refinery Operations

UTILIZATION AT 76%.

Refinery utilization, at 76%, was almost three percentage points higher than last October's as a result of higher input and lower operable capacity. Input to distillation units rose some 260 MBD, while capacity fell a roughly equal amount.

Exploration

RIGS UP 5%, WELL NUMBERS ALSO ROSE.

Rig activity rose 5% in October over year-earlier levels, and recent activity has not been significantly higher than earlier in the year, when adjusted for seasonal variations. Wells reported drilled rose 16% in September over year-earlier levels. October data are not yet available.

(In millions of B/D)	OCTOBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.6	16.1	3.4	16.5	15.7	4.9
—Crude production[2/]	8.8	8.8	0.1	8.8	8.7	1.1
—Crude oil imports[3/][4/]	3.7	3.2	14.1	3.3	3.1	5.2
—Product imports	1.9	1.8	5.9	2.0	1.7	16.8

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 437 million barrels as of October 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	OCTOBER			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,643	6,588	0.8	6,710	6,601	1.7
Finished leaded motor gasoline*	2,609	2,877	(9.3)	2,761	2,991	(7.7)
Finished unleaded motor gasoline*	4,034	3,711	8.7	3,949	3,610	9.4
Naphtha-jet	229	179	27.9	226	209	8.1
Kerosine-jet	993	820	21.1	940	827	13.7
Distillate fuel oil	2,597	2,611	(0.5)	2,838	2,603	9.0
Residual fuel oil	1,136	1,243	(8.6)	1,406	1,410	(0.3)
All other oils[4]	3,940	3,690	6.8	3,873	3,564	8.7
Reclassified[5]	- 187	- 168	11.3	- 213	- 160	33.1
Total domestic products supplied	15,351	14,963	2.6	15,780	15,054	4.8
Exports	709	576	23.1	698	755	(7.5)
Total products supplied	16,060	15,539	3.4	16,478	15,809	4.2
Supply:						
Domestic production:						
Crude oil[6]	8,776	8,771	0.1	8,802	8,709	1.1
Natural gas liquids	1,659	1,604	3.4	1,626	1,552	4.8
Other supply[7]	548	623	(12.0)	821	666	23.3
Total domestic supply	10,983	10,998	(0.1)	11,249	10,927	2.9
Imports:						
Crude oil, total	3,700[10]	3,244[10]	14.1	3,259[10]	3,097[10]	5.2
Canadian	253	279	(9.3)	319	269	18.6
Other	3,447	2,965	16.3	2,940	2,828	4.0
Products, total	1,919	1,812	5.9	1,982	1,697	16.8
Residual fuel oil	540	638	(15.4)	694	696	(0.3)
Other	1,379	1,174	17.5	1,288	1,001	28.7
Total imports	5,619	5,056	11.1	5,241	4,794	9.3
Total supply	16,602	16,054	3.4	16,490	15,721	4.9
Stock change, all oils	+ 542	+ 515	XXXX	+ 12	- 88	XXXX
Refinery Operations						
Input to crude oil distillation units	12,231	11,972	2.2	12,255	11,973	2.4
Operable capacity	16,074	16,320	(1.5)	16,098	16,733	(3.8)
Refinery utilization (%)[8]	76.1%	73.4%	3.7	76.1%	71.6%	6.3
Crude oil runs	12,103	11,782	2.7	12,096	11,700	3.4

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	Oct. 31[9]	Sep. 30[9]	Oct. 31	Previous Month	Year Ago
Crude oil[10]	333.6	330.3r/	348.9	1.0	(4.4)
Unfinished oils	110.7	109.1r/	112.2	1.5	(1.3)
Total motor gasoline**	230.5	228.5r/	227.4	0.9	1.4
Finished leaded motor gasoline*	82.8	84.5	93.7	(2.0)	(11.6)
Finished unleaded motor gasoline*	108.7	105.2	93.4	3.3	16.4
Naphtha-jet	6.5	6.9	6.0	(5.8)	8.3
Kerosine-jet	40.2	38.9	37.2	3.3	8.1
Distillate fuel oil	155.1	143.0r/	162.6	8.5	(4.6)
Residual fuel oil	50.9	47.5	51.2	7.2	(0.6)
All other oils	150.7	157.2r/	194.8	(4.1)	(22.6)
Total all oils	1,078.2	1,061.4r/	1,140.3	1.6	(5.4)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-August, U.S. Department of Energy, September-October, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

DEVELOPMENTS IN SEASONAL PATTERNS OF MAJOR PETROLEUM PRODUCTS

This article discusses developments in seasonal patterns for product supplied and stock changes for motor gasoline and distillate over the last 15 years. It concludes that motor gasoline supplied, after declining in seasonality through the 1970's, may be stabilizing or even regaining some of its seasonal variability; this may be at least in part because of price effects. The seasonal range of distillate supplied, as might be expected from the reduced market share for heating oil over the period, has declined markedly. However, the rate of decline has lessened. Finally, it concludes that the interpretation of seasonal stock changes and stock levels requires caution, since much non-seasonal variability and flexibility exists.

Product Supplied Seasonal Patterns

Figure 1-A shows the seasonal pattern of motor gasoline supplied from 1970 to the present as estimated by the widely used Census X-11 method. As is apparent in the graph, the method allows for gradually-changing patterns over time. Figure 1-B shows the estimated seasonal factors in more detail for selected years.

As the first figure shows, the seasonal pattern began to narrow in the early seventies, continuing to lessen until 1980 or 1981. (Because this seasonal adjustment procedure is based on moving averages over several years, a shift in seasonal pattern cannot be meaningfully pinpointed to a specific year.) Since that time it has been relatively stable and perhaps has even increased slightly.

It is believed that at least part of this behavior is due to the differential effects of real prices on different types of driving. Since the additional driving (e.g., recreation and travel) in the summer peak period tends to be less price-inelastic than driving in other parts of the year, an increase in real gasoline prices would be expected to have a greater proportional effect on peak period demand and thus dampen the seasonal pattern of gasoline consumption.

This effect is illustrated in Figure 1-C which compares the seasonal peak of gasoline supplied with real prices by year. (The "seasonal peak" is the percentage by which June-through-August product supplied would exceed the annual average according to the estimated seasonal factors). If the hypothesis that real prices affect the seasonal pattern is correct, the figure would be interpreted as showing that the large real price increase of 1973-74 dampened the seasonal pattern and, because of lagged effects, continued to do so through the seventies. No doubt the 1979-1980 price increase served to dampen seasonality as well, though it may not be apparent in the estimated seasonal factors. The substantial decline in real prices since that time (falling about 25% since early 1981) has likely encouraged more peak-period driving, leading to stabilization in seasonality. Improving fuel efficiency, since it reduces the effective cost per mile travelled, has also contributed to this effect. As mentioned earlier, the method of seasonal adjustment used here is a moving-average technique and does not pinpoint shifts in seasonality except within a broad period. If the interpretation here is indeed correct, the stabilization of motor gasoline seasonality probably occurred somewhat later than the estimated seasonal factors indicate.

Distillate supplied's seasonal pattern is illustrated in figures 2-A and 2-B. Fairly obvious, and to be expected, is a substantial decline in seasonality over the period as heating oil's share of distillate consumption declined from more than half in 1970 to roughly 30 percent at present. This decline in share was due to a combination of conservation, switching, and increasing diesel use. In fact, the decline in seasonality is so pronounced that although 1983 annual distillate supplied was 6 percent higher than in 1970, November-to-March distillate deliveries were actually about 7 percent less in 1983-84 than in 1970-71.

Of special interest in Figure 2-A is that the apparent seasonal variation of distillate supplied has declined relatively less in recent years than previously. Most likely, near-stabilization of the level of heating use has helped to bring this about.

What implications does this have for distillate supply patterns? In recent years, declining seasonal demand, ample refining capacity, and available crude stocks have helped to reduce the typical pre-season stock accumulation. Now, with the seasonal pattern of distillate supplied apparently stabilizing and refinery utilization up, it might be concluded that typical pre-season inventory patterns have changed as well. In fact, pre-season inventory levels continue to be only a small portion of the supply picture, as will be discussed further below.

Inventory Seasonal Patterns

Inventory changes for motor gasoline and distillate, though exhibiting seasonal behavior, are much more variable than product supplied data. Figures 3-A and 3-B display the estimated seasonal factors for these series, though as discussed more fully below, these should be used only as a broad measure of seasonality.

Figures 4-A through 4-D demonstrate how variable inventory changes are compared to product supplied data. The first two compare actual peak-period product supplied by year with that implied by the seasonal factors for these two products. The remaining two figures do the same with stock changes for gasoline and distillate. The peak period for gasoline supplied is defined as June through August; for distillate, November through March. The peak period for inventory change is the highest drawdown period of the year — April to August for gasoline, November to March for distillate.

As can be seen in the graphs, product supplied seasonal factors appear to bear a reasonably close (though hardly perfect) relationship to the actual series. For distillate, weather accounts for much of what discrepancy exists. However, the inventory change data in Figures 4-C and 4-D show that the correspondence between actual and estimated "typical" stock changes, even accumulated over five months, can be quite low. Though weather effects partially explain this for distillate, much variability remains for both products. This graphically demonstrates that estimates of "typical" seasonal stock changes as estimated by seasonal adjustment are only approximate figures and should be used only as a broad measure of seasonal change.

Demand factors account for some of the variability of inventory behavior. Unusually warm or cold weather or a stronger-than-expected increase in travel directly impact inventory levels in the short run. Since inventory changes are in effect a "residual" item left after combining the foreseen and unforeseen variations in supply and demand, it is not surprising that the inventory series should contain more "noise" than the product supplied series.

A second reason for the variability of inventory changes is the flexibility of supply. It is incorrect to think of seasonal stock levels or stock changes in terms of fixed "requirements" — rather, the observed patterns represent in part efforts by individual industry members to optimize their operations within the realm of many available options. Individual refiners attempt to balance the level of refinery runs and product yields against the cost of storage and potential imports; since petroleum products are jointly produced in the refining processes, these decisions involve all products simultaneously. Flexibility among the options exist, especially when additional refinery capacity and imports are available, as they have been in recent years, and this in turn can result in wide departures from "typical" patterns. For example, for distillate, an increase of 100 MBD in refinery output and/or imports over November through March would reduce inventory draw over the period by 15 MM barrels—more than one-fourth of the actual 1983-84 drawdown.

Implications

The reduced seasonal variability of motor gasoline and distillate supplied have had varying impacts on supply developments.

At current motor gasoline annual demand levels, the reduction in seasonality for this product over the last 15 years accounts for about a 20 million barrel reduction in June-to-August deliveries, a reduction of less than 3 percent. For distillate, the impact is larger. At current annual levels for distillate supplied, a return to 1970 seasonal patterns would have implied an additional 60 million barrels of distillate for the November 1983-March 1984 period (disregarding the additional effects that the unusally cold weather would have had). If all of this additional demand had been supplied entirely from inventories, the 1983-84 stock drawdown would have been more than twice as large as actually occurred.

However, inventory seasonal patterns, as discussed above, are only part of the supply picture. Since available refining capacity and potential imports have added to current supply flexibility, the role of inventories is reduced further.

The implication of seasonal analysis of inventory changes is that, given this flexibility, estimation of a "typical" seasonal stock-change pattern is more useful as a reference (that is, as an "average"), than as a tool to explain inventory behavior in any particular year.

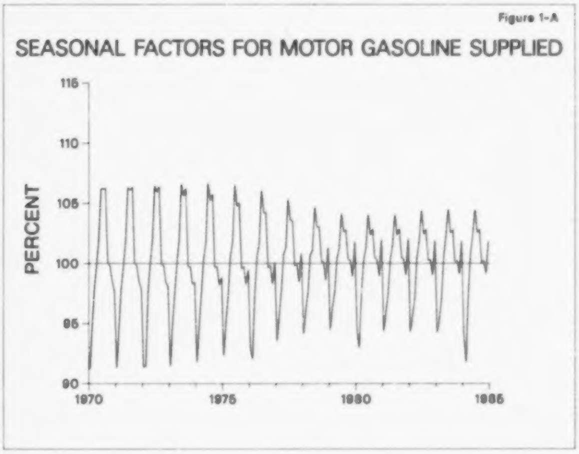


Figure 1-A

SEASONAL FACTORS FOR MOTOR GASOLINE SUPPLIED

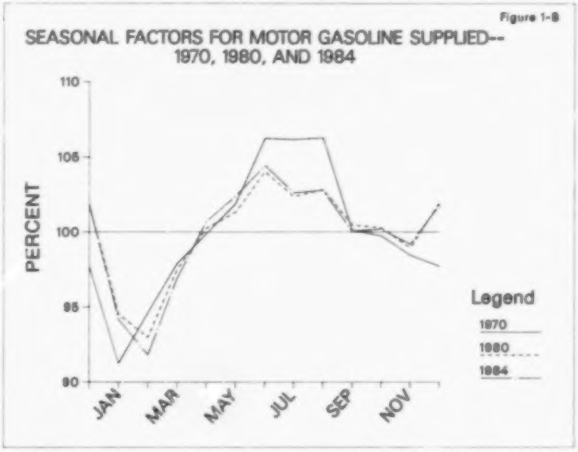


Figure 1-B

SEASONAL FACTORS FOR MOTOR GASOLINE SUPPLIED--
1970, 1980, AND 1984

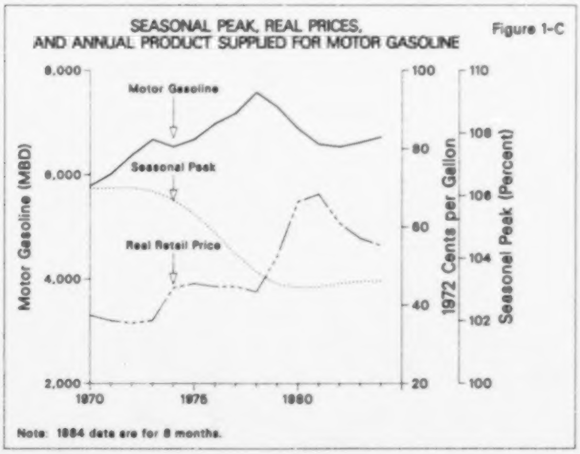

SEASONAL PEAK, REAL PRICES,
AND ANNUAL PRODUCT SUPPLIED FOR MOTOR GASOLINE

Figure 1-C

Note: 1984 data are for 8 months.

Figure 2-A

SEASONAL FACTORS FOR DISTILLATE SUPPLIED

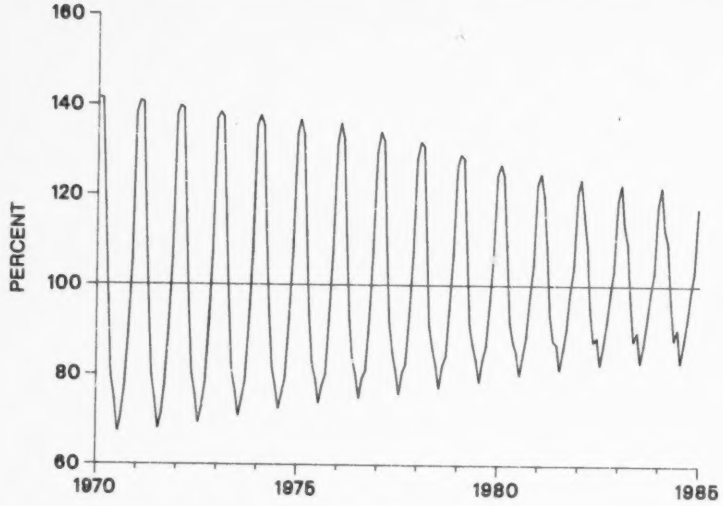


Figure 2-B

SEASONAL FACTORS FOR DISTILLATE SUPPLIED-- 1970, 1980, AND 1984

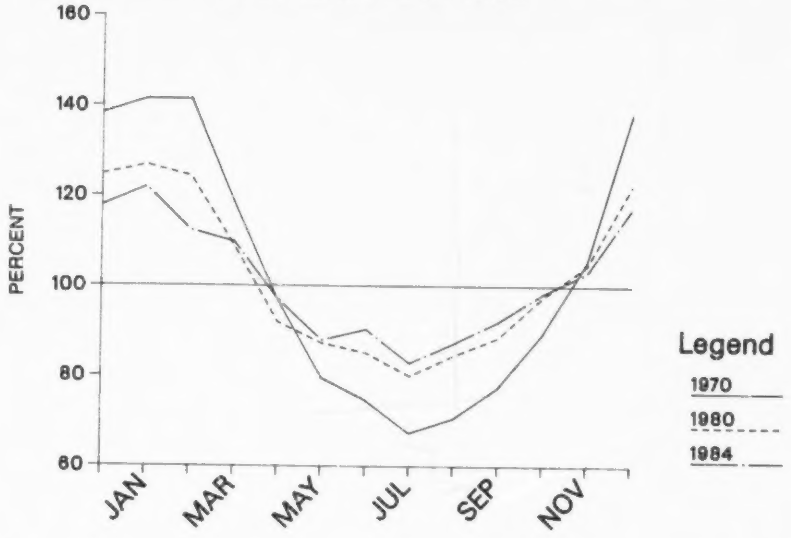


Figure 3-A

SEASONAL FACTORS FOR MOTOR GASOLINE STOCK CHANGES

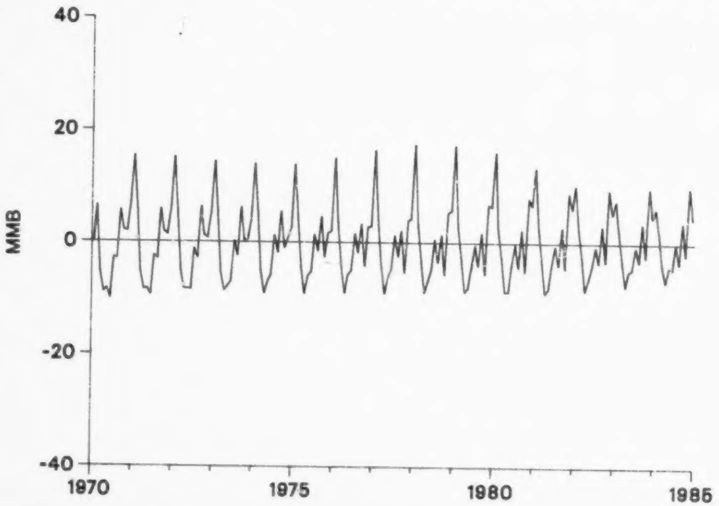
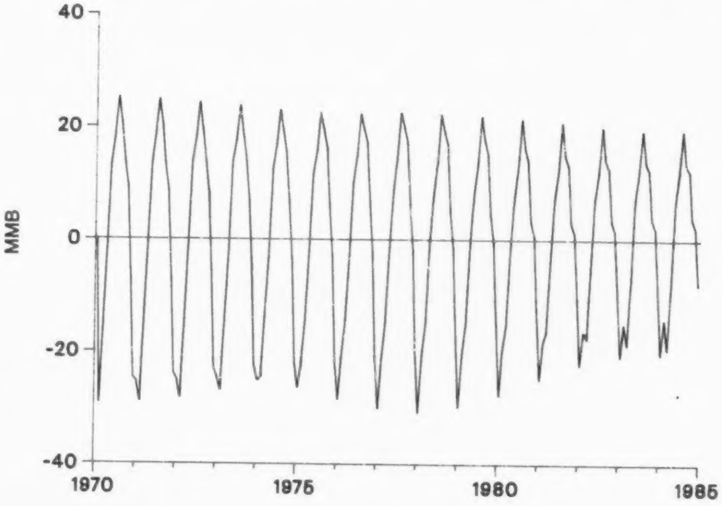


Figure 3-B

SEASONAL FACTORS FOR DISTILLATE STOCK CHANGES



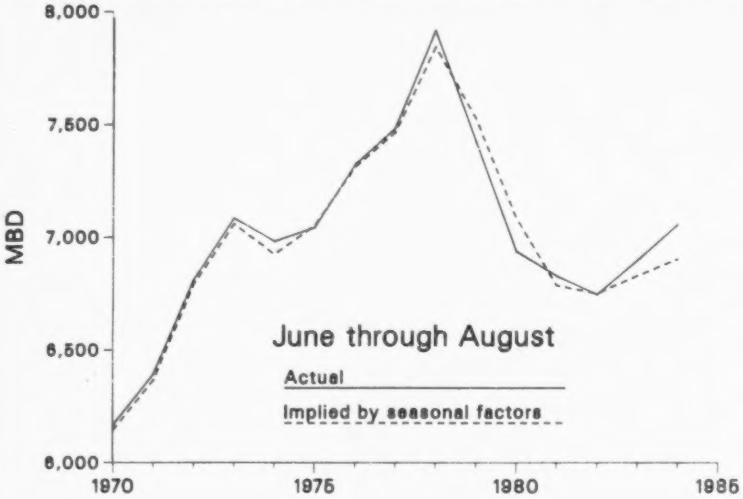


Figure 4-A

PEAK PERIOD MOTOR GASOLINE SUPPLIED--
ACTUAL VERSUS IMPLIED BY SEASONAL FACTORS

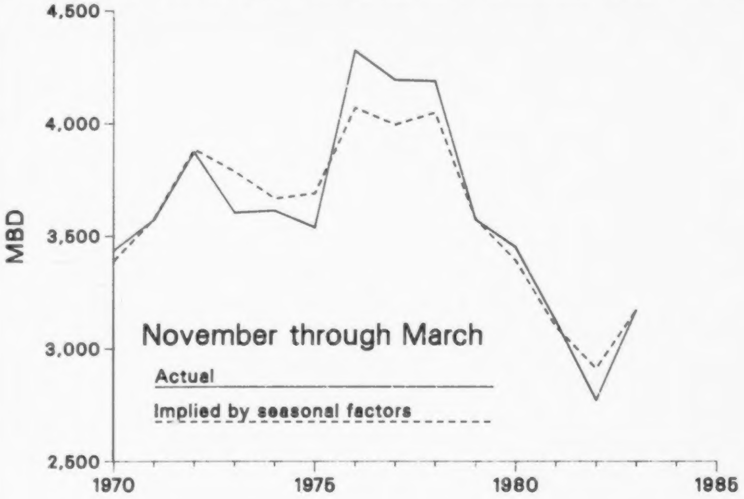


Figure 4-B

PEAK PERIOD DISTILLATE SUPPLIED--
ACTUAL VERSUS IMPLIED BY SEASONAL FACTORS

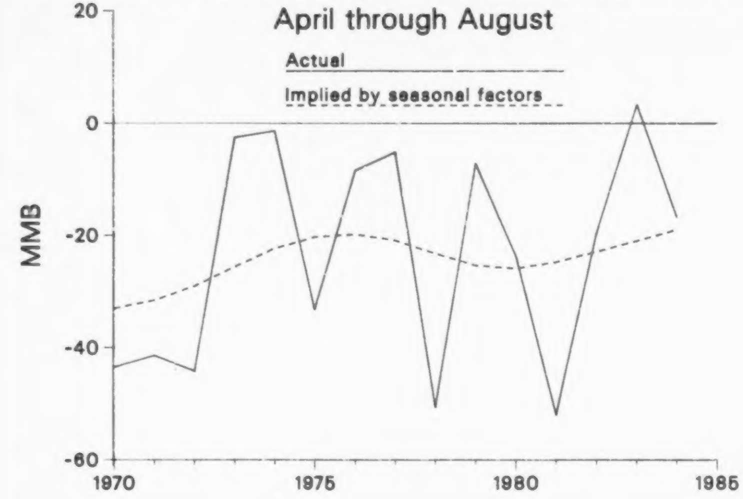


Figure 4-C

PEAK PERIOD MOTOR GASOLINE STOCK DRAW
ACTUAL VERSUS IMPLIED BY SEASONAL FACTORS

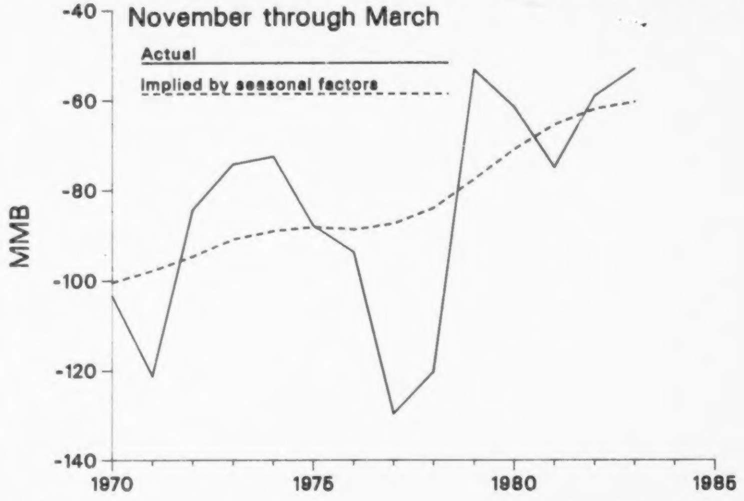


Figure 4-D

PEAK PERIOD DISTILLATE STOCK DRAW--
ACTUAL VERSUS IMPLIED BY SEASONAL FACTORS

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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total products supplied to the domestic market rose 0.9% in November over year-earlier levels. Light product increases were responsible for the minor overall advance. Residual fuel oil deliveries, well below November 1983 levels, offset roughly half of these gains.

Recent-month increases in overall petroleum product demand have been considerably smaller than earlier in the year, paralleling gradual moderation of year-to-year increases experienced by the economy as a whole.

Crude oil production rates continued to show year-to-year increases. Imports rose over year-ago levels at roughly two-thirds October's rate. Inventories increased about 13 million barrels, about in line with the normal seasonal increase.

The number of active rigs rose 2% over last year. Wells reported drilled rose 20% over year-earlier levels during the third quarter and increased 14% in October but fell almost 8% in November.

PRODUCTS SUPPLIED [1/]

Gasoline

UP 0.7%
OVER LAST NOVEMBER.

Deliveries of gasoline rose a minimal 0.7% from year-ago levels, about in line with the level of increases of the past several months.

Gasoline pump prices fell about one cent from prior-month levels, extending the almost uninterrupted downtrend of the past 3½ years. At this point, prices, when adjusted for inflation, are some 25% below the March 1981 high.

Price decreases have made a substantial contribution to increases in gasoline demand, but, during the 3½ year period starting in the spring of 1981, higher real disposable personal income, generated largely by rebounding economic activity, had at least an equal effect. It is estimated that the combination of these two factors would have raised current gasoline demand at least 10% since the spring of 1981. The substantial increases in engine efficiency that have occurred in the interim, however, have resulted in offsetting some 90% of that increase, reducing the increase in gasoline demand from 1981 levels to roughly 1%. That rate of increase is about the same as the recent trend of 1983/1984 increases, as gasoline demand did not start to rise on a sustained basis until the spring of 1983.

Unleaded's share of the gasoline market rose to 63% in November, almost seven percentage points above the year-earlier share. This is about twice the rate of advance experienced earlier in the year. It appears that the impact of high sales of new cars — resulting from the two-year old economic recovery — and the change in fleet composition it brought about is only now being fully felt.

Distillates

DELIVERIES UP
2%.

Distillate deliveries rose 66 MBD (2.3%) in November over year-ago levels. Distillate deliveries in November 1983, however, were some 75 MBD above trend, indicating that the true year-to-year change is in the 140 MBD range. With weather about 10% colder than a year ago, roughly a third of the true year-to-year increase was due to weather factors. While it is somewhat surprising that inventory replenishments should have occurred during periods of uncertainty and falling price levels, a good part of the remainder is apparently the result of inventory replenishments in secondary storage. Industry reports indicate that such storage near month-end was slightly ahead of last month—and considerably above year-earlier levels. Roughly-offsetting changes in truck and rail traffic levels, up about 3% for truck traffic and down 7% for rail traffic in October, are estimated not to have changed trends sufficiently in November to affect distillate deliveries to a significant degree.

Residual Fuel Oil

DOWN 10% VERSUS LAST NOVEMBER.

Deliveries of residual fuel oil were 134 MBD (9.8%) below last year's. Bunker fuel deliveries, which had been running some 30 MBD below 1983 levels for the first 8 months of this year, rose a similar amount in September (latest data available). With lower announced output rates in major producing countries, there is little likelihood, however, that worldwide petroleum trade, a major portion of overall shipping activity, improved in November.

Electric utility use of residual fuel oil fell about 115 MBD during the third quarter. Electricity generation, which increased less than 1% during the third quarter, rose more than 3% over last year in October and over 4% in November. But, with petroleum's share of input for electricity generation on a slide, we do not believe that the increase in generation was translated into higher residual fuel oil use; deliveries to utilities have shown year-to-year declines in six of the past seven months for which data are available.

Earlier this year there had been some indication that demand for residual fuel oil in the industrial sector was on the road to recovery. During the past few months, however, deliveries have again been on the decline. Some slowdown in the economy's growth rate undoubtedly contributed to that decline, as did the fact that, in the late fall of 1983, industrial sector purchases had already been recovering and had reached a somewhat higher level than in preceding months.

In addition, natural gas prices, relatively stable over the past year, have shown a slight downward trend recently, with many customers reportedly negotiating contract renewals at more favorable terms. Residual fuel oil prices, after experiencing some volatility in the late July-September period, remained relatively unaffected by the general downdrift in petroleum products. They ended November at slightly higher levels than late October's levels, possibly because of somewhat higher prices reportedly realized as a result of export shipments for use as refinery input and higher usage in the United Kingdom related to the coal strike.

Kerosine Jet Fuel

UP 19% OVER NOVEMBER 1983.

Deliveries of kerosine jet fuel climbed 19.4% in November, continuing the high year-to-year advance rate of the prior month. As happened in October, the year-to-year increase in November has been more than twice the roughly 9% increase in "miles flown" which is a good indicator of airline traffic. The disparity is perplexing, though one possible contributing factor may be that some portion of total fuel purchases may have found its way into storage maintained by airport operating companies.

Other Oils

DOWN 1/2% FROM LAST YEAR'S LEVELS.

"Other oils" were supplied at a 20 MBD (0.5%) lower rate in November than a year ago. There are definite signs of a slowdown in the chemical industry; sales increases during the third quarter reportedly were more modest than the rate experienced earlier in the year. Imports of chemical products have also been growing.

	NOVEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
(In millions of B/D)	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.6	15.5	0.9	15.7	15.1	4.1
—Motor gasoline supplied	6.6	6.6	0.7	6.7	6.6	1.3
—Distillate fuel oil supplied	2.9	2.9	2.3	2.8	2.6	8.0
—Residual fuel oil supplied	1.2	1.4	(9.8)	1.4	1.4	(2.1)

SUPPLY [1/]

Total supply rose 605 MBD over last November as a result of a 352 MBD increase in imports and 253 MBD increase in total domestic supply.

Production

UP ALMOST 1% OVER LAST YEAR.

Crude oil production continued to rise in November with almost a 1% increase over the year-ago level. While year-to-year increases have been small, the advance has been almost uninterrupted since late 1981, when crude production was running some 250 MBD less than currently. During November, increased production in Alaska, resulting mainly from higher output at Kuparuk, was the major factor in increased overall U.S. production, though lower 48 output also rose slightly.

Imports

ROSE 7% OVER LAST NOVEMBER.

Total imports rose 352 MBD (7.0%) in November compared with the year-earlier level. In September (latest month available) Mexico continued to be the #1 source of imports into the U.S., followed by Venezuela, Canada, and the United Kingdom. Saudi Arabia occupied ninth position, compared with second spot last September.

The November level of imports was more than 100 MBD below October's on a seasonally adjusted basis. Presumably, October's higher rate of imports was caused by the substantial amounts of oil that reached U.S. shores that month which had been purchased during relatively price-stable late September and early October, following a prolonged period of production and price fluctuations. In addition, with inventories relatively stable, the recent moderation of the economic recovery has reduced petroleum demand growth, lessening the need for imports. As one example, imports of residual fuel oil have fallen at a rate during the past several months sufficient to fully offset the marked year-to-year increases of gasoline and distillates.

Inventories

IN LINE WITH THE NORMAL SEASONAL RISE.

Inventories rose about 13 million barrels over October levels, a roughly-normal increase for this time of year. Except for "other oils" and and gasoline, stocks are at levels similar to last year's. Almost half the November advance arose from a 7 million barrel increase in crude oil stocks, returning crude inventory levels into the long-standing 340-360 million barrel range. Gasoline inventories rose 12 million barrels, somewhat above the normal seasonal increase, partly because of continuing high distillate production levels and lesser gasoline demand increases. However, gasoline stocks still only represent a slightly-above-normal 37 days of supply. With production continuing at high levels, distillate inventories rose about 4 million barrels.

Operations

UTILIZATION CONTINUES IN MID-70 PERCENTAGE RANGE.

With operable capacity some 275 MBD lower than last year and input to distillation units about the same as a year ago, capacity utilization rose one percentage point above last November's.

Exploration

LITTLE RIG ACTIVITY CHANGE: WELLS REPORTED DRILLED INCREASED IN OCTOBER BUT FELL IN NOVEMBER.

The number of active rigs rose 2% over last year and, while recent levels are slightly ahead of early 1984's on a deseasonalized basis, they are actually somewhat below mid-year levels. Wells reported drilled rose 20% over year-earlier levels during the third quarter and 14% in October but fell almost 8% in November. Oil wells reported drilled fell 3% in November and gas wells more than 6%. A large decline in wells reported drilled in Texas accounted for the overall November decline.

Detailed in an accompanying article is the new methodology for reporting well drilling, which essentially switches from the presentation of well data by month reported to a month-of-completion basis.

(In millions of B/D)	NOVEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.7	16.1	3.8	16.5	15.8	4.9
—Crude production[2/]	8.9	8.8	0.9	8.8	8.7	1.0
—Crude oil imports[3/4/]	3.6	3.2	12.1	3.3	3.1	5.3
—Product imports	1.8	1.9	(1.7)	2.0	1.7	15.4

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 443 million barrels as of November 30, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	NOVEMBER			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,648	6,603	0.7	6,685	6,601	1.3
Finished leaded motor gasoline*	2,488	2,911	(14.5)	2,727	2,984	(8.6)
Finished unleaded motor gasoline*	4,160	3,692	12.7	3,958	3,617	9.4
Naphtha-jet	224	190	17.9	224	207	8.2
Kerosine-jet	978	819	19.4	945	826	14.4
Distillate fuel oil	2,940	2,874	2.3	2,838	2,628	8.0
Residual fuel oil	1,228	1,362	(9.8)	1,375	1,405	(2.1)
All other oils[4]	3,847	3,867	(0.5)	3,863	3,591	7.6
Reclassified[5]	- 229	- 213	7.5	- 217	- 165	31.5
Total domestic products supplied	15,636	15,502	0.9	15,713	15,093	4.1
Exports	644	679	(5.2)	688	749	(8.1)
Total products supplied	16,280	16,181	0.6	16,401	15,842	3.5
Supply:						
Domestic production:						
Crude oil[6]	8,850	8,770	0.9	8,805	8,715	1.0
Natural gas liquids	1,738	1,641	5.9	1,638	1,560	5.0
Other supply[7]	739	663	11.5	840	666	26.1
Total domestic supply	11,327	11,074	2.3	11,283	10,941	3.1
Imports:						
Crude oil, total	3,550 10/	3,166 10/	12.1	3,266 10/	3,103 10/	5.3
Canadian	308	304	1.3	321	272	18.0
Other	3,242	2,862	13.3	2,945	2,831	4.0
Products, total	1,841	1,873	(1.7)	1,976	1,713	15.4
Residual fuel oil	499	780	(36.0)	678	704	(3.7)
Other	1,342	1,093	22.8	1,298	1,009	28.6
Total imports	5,391	5,039	7.0	5,242	4,816	8.8
Total supply	16,718	16,113	3.8	16,525	15,757	4.9
Stock change, all oils	+ 438	- 68	XXXX	+ 124	- 85	XXXX
Refinery Operations						
Input to crude oil distillation units	12,215	12,223	(0.1)	12,255	11,996	2.2
Operable capacity	16,074	16,349	(1.7)	16,089	16,699	(3.7)
Refinery utilization (%)[8]	76.0%	74.8%	1.6	76.2%	71.8%	6.1
Crude oil runs	12,063	12,004	0.5	12,090	11,727	3.1

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	Nov. 30[9]	Oct. 31[9]	Nov. 30	Previous Month	Year Ago
Crude oil 10/	341.5	334.4r/	341.4	2.1	-
Unfinished oils	106.9	110.8r/	109.1	(3.5)	(2.0)
Total motor gasoline**	242.7	231.1r/	235.9	5.0	2.9
Finished leaded motor gasoline*	89.2	83.1r/	96.4	7.3	(7.5)
Finished unleaded motor gasoline*	111.2	109.0r/	99.6	2.0	11.6
Naphtha-jet	6.8	6.5	6.4	4.6	6.3
Kerosine-jet	39.4	40.2r/	39.2	(2.0)	0.5
Distillate fuel oil	160.3	156.0r/	161.2	2.8	(0.6)
Residual fuel oil	50.2	50.9	54.2	(1.4)	(7.4)
All other oils	168.1	172.8r/	190.9	(2.7)	(11.9)
Total all oils	1,115.9	1,102.7r/	1,138.3	1.2	(2.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-September, U.S. Department of Energy, October-November, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

The New Format for API Drilling Statistics

Summary

Currently, API's Monthly Drilling Report and Quarterly Review of Drilling Statistics present data by month reported to API rather than by month of actual well completion. Since the lag between completion and reporting has progressively lengthened in recent years, the correspondence of reported wells with actual drilling activity has continued to lessen. For this reason, starting in 1985, API will begin publishing data by actual completion month rather than on the present as-reported basis. Moreover, since the most recent data will be incomplete because of the reporting lag, API intends to estimate actual completions and footage on a quarterly basis. These estimates will include data by depth category and well type.

The Lag Between Completion and Reporting

Fiqure 1 plots total well completions from 1970 to 1979 on the basis of when they were reported to API (the series published in the past) and on an actual completion-month basis. The series follow roughly the same path, but, because of the reporting lag, the two series have at times diverged.

The lag in reporting has grown over time, as Figure 2 shows. In 1970, for example, about 90 percent of the completions were reported within three months (that is, for example, wells completed in January and reported through April). By 1979, only 73 percent were reported within that time; 93 percent were reported after a lag of twelve months. The data strongly indicate that the reporting lag has continued to lengthen since that time.

Figure 3 shows the shift in lag structure again, but in a different form. The graph compares the pattern of reporting in 1970, 1973, 1976 and 1979, averaged over the given year. As the lag lengthened, the shape of the reporting curve shifted. It is believed that the shape of this curve provides information useful in estimating actual completions and footage based on partial data.

The New Format

API will continue to publish the Monthly Drilling Report (MDR) and Quarterly Review of Drilling Statistics (QRD), but in significantly altered formats. The MDR will display cumulative reported wells and footage for oil and gas wells and dry holes by month of completion for the last two to three years. In addition, it will show the total wells and footage reported to API for the most current month (as in the current MDR), but additionally showing how these reported data are distributed by month of actual completion.

The QRD, as well, will display drilling data by quarter of completion, rather than on the as-reported basis used in the past. Disaggregation of the data by geographic region will also be included on this basis as well as U.S. totals by depth class. Historical data, in addition to the two to three years published in the QRD, will also be available.

Because the most recent data will be incomplete, figures in the MDR and QRD will tend to show an apparent drop-off in activity in the most recent periods, regardless of actual activity levels. Thus, in order to obtain meaningful measures of current activity, estimates must be made from the available data. For this reason, API intends to include, as part of the QRD, regression estimates of quarterly completions and footage by well type and depth category for the most recent two to three years. A split between exploratory and development drilling activity will also be estimated.

Estimates for first quarter 1985 will be included in the first edition of the new QRD, due to be published in May. In addition, estimates by quarter for 1983 and 1984 will also be presented. As more data become available, API will publish revised estimates in subsequent QRD issues. Current research demonstrates that estimates of these data can be made with acceptable accuracy, and that accuracy improves as more data become available. Such estimates will put API drilling data into an easily usable form, while the raw data in the QRD will also allow analysts who prefer to make their own estimates to do so. The API estimates are expected to provide more accurate indicators of drilling activity by well type and depth interval than have previously been available.

Figure 1

WELLS REPORTED VERSUS ACTUAL COMPLETIONS

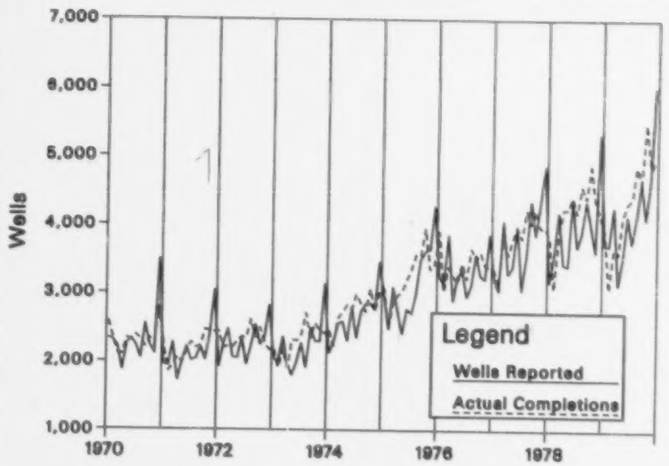


Figure 2

PERCENT OF TOTAL WELLS REPORTED AT VARIOUS LAGS

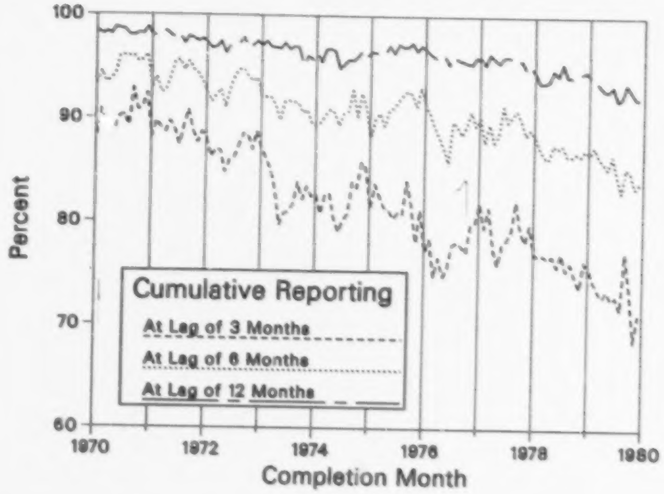
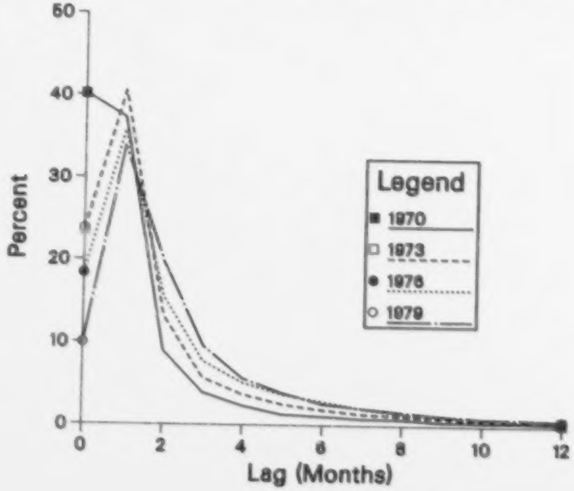


Figure 3

PERCENT OF WELLS REPORTED AT VARIOUS LAGS



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American Petroleum Institute
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Washington, D.C. 20005

Monthly Statistical Report

Prepared by the Statistics Department

Vol. 8, No. 12

JANUARY 16, 1985

DECEMBER 1984

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total Energy

Estimated total energy consumption rose more than 5% in 1984 over 1983 levels. All major fuel sources experienced an increase.

TABLE A
ENERGY CONSUMPTION BY TYPE
(ANNUAL QUADRILLION BTU'S)

	Coal	Natural Gas	Petroleum	Other	Total
1983	15.9	17.5	30.1	7.2	70.7
1984	17.2	18.5	31.2	7.7	74.6
Change	+ 1.3	+ 1.0	+ 1.1	+ 0.5	+ 3.9
Percent Change	+ 8.4	+ 5.3	+ 3.8	+ 6.2	+ 5.5
1983 share (percent)	22.5	24.8	42.5	10.2	
1984 share (percent)	23.1	24.7	41.9	10.3	
Percentage point change in market share	+ 0.6	- 0.1	- 0.6	+ 0.1	
	Year-to-year percentage change in BTU's by half-year				
First half	+ 14.0	+ 7.5	+ 6.6	+ 6.8	+ 8.4
Second half	+ 3.7	+ 2.8	+ 1.2	+ 5.6	+ 2.6

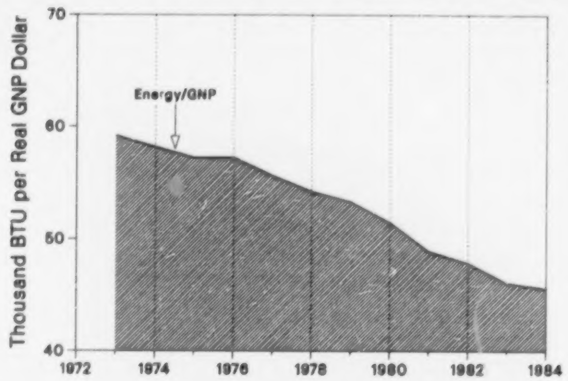
Note: Calculations based on unrounded numbers

It is worth noting that, while coal, natural gas, and petroleum consumption showed roughly similar increases on a BTU basis, coal consumption experienced the largest percentage gain. The increase in oil consumption represents the smallest year-to-year percentage change of the three major fuel sources and, as a result, its 1984 share of total energy consumption is estimated to have dropped again from prior-year levels. Natural gas consumption rose about 5% in volume but was essentially unchanged in share of total energy consumption.

The energy/GNP ratio, shown in Exhibit I, showed only a minor change in 1984, falling from 46.1 thousand BTU per constant 1972 dollar to 45.5 thousand. During the 1979-1982 period, intense conservation, coupled with almost-stagnant real GNP levels, resulted in a rapid decline of the energy/GNP ratio; energy use fell about 3.5% annually during that period but GNP stayed essentially unchanged. Energy use lagged economic growth in 1983, staying about the same as during the prior year while GNP rose 3.7%. The year 1984 saw the first increase in energy consumption since 1979 - 5½% - while GNP is estimated to have risen at a somewhat higher 6.7% rate. As a result of the small differential in the rates of increase, the energy/GNP index's decline moderated considerably, falling by only 1% from 1983 levels.

EXHIBIT I

ENERGY CONSUMED PER DOLLAR OF REAL GNP



Sources: Department of Energy, Department of Commerce, API estimates

Petroleum Products

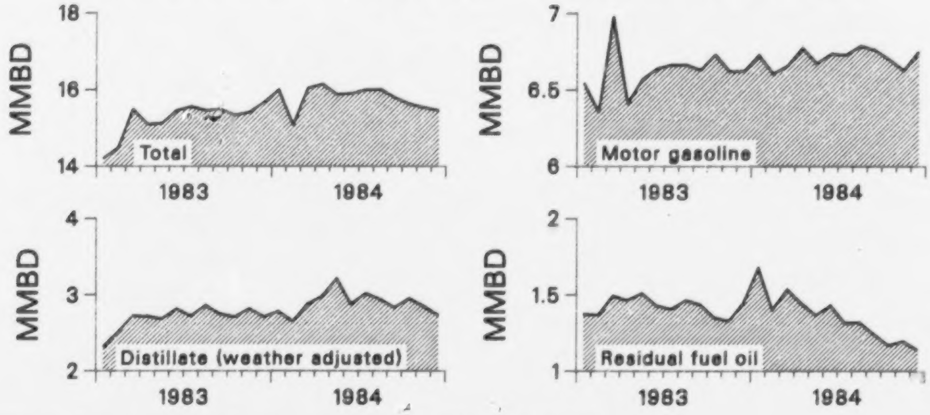
ROSE 3.5% IN 1984 OVER 1983 LEVELS.

With December showing an in part weather-related 665 MBD (4.0%) decline, and a general moderation of year-to-year increases during the second half of the year, domestic petroleum products supplied's annual rise was held to 3.5% in 1984 over the prior-year level. The year-to-year increase is the first since 1978.

Light product deliveries and "other oils" were responsible for the 1984 increase. Residual fuel oil deliveries extended the slide started in the late seventies, as prices overall continued to be firm-to-higher while the costs of competing fuels were relatively stable or trending lower.

EXHIBIT II

SEASONALLY ADJUSTED PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

While total domestic products supplied rose on a year-to-year basis, changes were not uniform among individual products. Exhibit II details the month-to-month path of major product deliveries on a deseasonalized basis for 1983 and 1984.

Crude production, aided by strength in both the Alaskan and lower 48 sectors, continued to rise. Though, at 1.4%, the year-to-year increase was small, it was three times last year's rate of advance. Imports rose almost 8%, with product import increases contributing about twice as much volume as crude imports. Total inventories were relatively stable on a deseasonalized basis except for a mainly weather-related build-up in February and late-summer/early fall variances caused by volatility in world crude oil markets. Year-end inventories were minimally above those at the end of 1983.

Drilling activity picked up somewhat. The count of active rigs rose 9% over 1983 levels, though recent year-to-year increases have been well below mid-year levels. The number of wells reported drilled rose an estimated 8% (11 months data), but year-to-year changes exhibited a mixed pattern during the course of year. The percentage increase is inflated by an estimated 2 percentage points because of the inclusion of another week in 1984's count in January.

Seismic activity, a longer-range indicator of drilling activity, rose about 4% in 1984.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 1% OVER 1983. Gasoline demand rose 80 MBD (1.2%) in 1984 over the prior-year level, as prices continued to slide and real disposable income rose. December gasoline deliveries are shown as 65 MBD (0.9%) below last year's. There is some question, however, as to whether or not all gasoline component imports blended into finished gasoline are finding their way into finished gasoline totals because of reporting and classification difficulties. As a result, the recent substantial rise in imports of gasoline components may not be fully reflected in total gasoline deliveries shown in the attached tables of estimated U.S. petroleum balances.

Gasoline pump prices ended the year about 2½¢ below year-end 1983 levels. Rising briefly in the spring, they have deteriorated almost uninterruptedly since then. Current nominal levels are about equal to spring 1980 levels despite a roughly 30% increase in general price levels (CPI basis) and a 5¢ increase in the federal excise tax, effective April 1, 1983, on motor fuels.

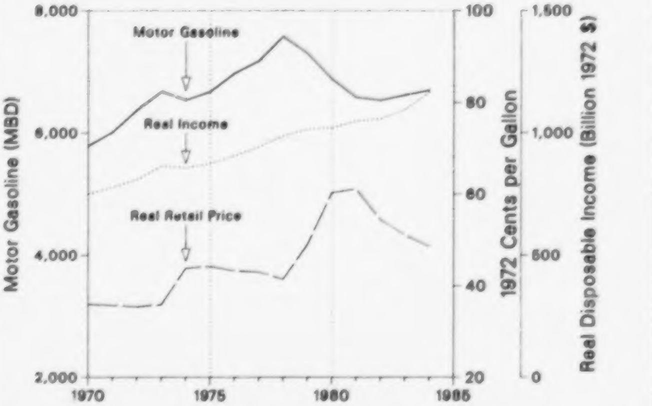
Exhibit III traces the path of real gasoline prices, real disposable income, and gasoline demand since 1970. Except for the late seventies, when the impact of rapidly-rising prices overshadowed all other effects, real disposable income and gasoline demand have been closely correlated.

With acceleration in the improvement of engine efficiency in the late seventies and early eighties, gasoline demand levels were clearly affected substantially. Since 1981, for example, the combined effect of real gasoline price declines of some 25% from their peak in March of that year and a rise of almost 13% in real disposable income should have raised gasoline demand by more than 10%. The impact of these factors has, however, been in large measure offset by increases in engine efficiency. The effect of improved fleet engine efficiency on driving costs is reflected in Exhibit IV. After adjustment for inflation, estimated cost per mile traveled in 1984 was almost 30% below 1980/81 levels for the fleet as a whole and roughly equal to 1967 levels.

Unleaded gasoline's share of the gasoline market reached about 63% in December, some five percentage points above last year's level. Year-to-year increases in unleaded's share, in the area of 3% early in the year, have averaged about twice that figure in the past several months. The quickening pace of car sales in 1983 and 1984 helped to change fleet mix and accelerate the need for unleaded gasoline.

MOTOR GASOLINE SUPPLIED, REAL GASOLINE PRICES, AND REAL DISPOSABLE PERSONAL INCOME

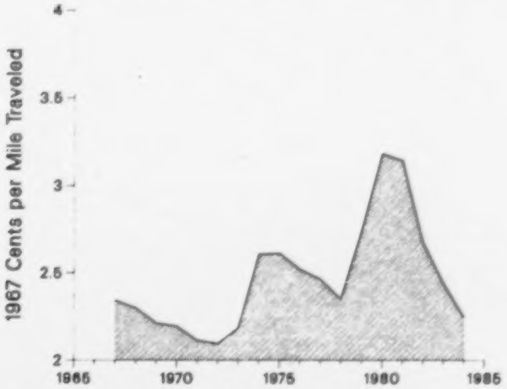
EXHIBIT III



Sources: Department of Energy, American Petroleum Institute, Oil and Gas Journal, Bureau of Labor Statistics

EXHIBIT IV

REAL COST PER MILE TRAVELED



Sources: Federal Highway Administration, Oil and Gas Journal, Bureau of Labor Statistics, API estimate.

Distillates

DELIVERIES UP ALMOST 7% FOR THE YEAR. Distillate deliveries were down an entirely weather-related 305 MBD (9.1%) in December but were 184 MBD (6.8%) higher for the year as a whole. Overall, however, weather's impact on distillate consumption has been small. Despite January 1984's extreme cold and one of the warmest Decembers on record - 16% warmer than normal and 30% warmer than last year—heating degree days for 1984 as a whole were only 1% less than normal and 4% less than last year, the latter reducing the year's distillate increase by perhaps 15-20 MBD. Year-to-year increases were greater in the first half of 1984, in part because early 1983 delivery levels were depressed by market uncertainties. In addition, truck and rail traffic was increasing at a roughly 15% rate in the first half but moderated in the second half of the year (rail shipments, in fact, decreased during most of the fourth quarter). For 1984 as a whole, the on-highway and rail segments are estimated to be responsible for about two-thirds, or roughly 120 MBD, of the total distillates increase from 1983 levels.

The table below shows a sector-by-sector breakdown of estimated distillate deliveries for first and second-half periods of 1983 and 1984, based on currently available economic and financial data:

TABLE B
Estimated Distillate Consumption by Sector (MBD)

SECTOR	**First Half**			**Second Half**			**Total Year**		
	1983	**1984**	**% Change**	**1983**	**1984**	**% Change**	**1983**	**1984**	**% Change**
Resid & Comm.	750	828	10.4	575	540	- 6.1	662	683	3.2
Industrial	203	236	16.3	213	224	5.2	208	230	10.6
Farm	193	200	3.6	175	188	7.4	184	194	5.4
Oil Companies	71	77	8.5	75	81	8.0	73	79	8.2
Utilities	27	33	22.2	37	23	-37.8	32	28	-12.5
Railroad	259	297	14.7	285	307	7.7	272	302	11.0
Bunkers	93	95	2.2	101	93	- 7.9	97	94	- 3.1
On-Highway	916	1060	15.7	1013	1050	3.7	965	1055	9.3
Military	44	46	4.5	44	46	4.5	44	46	4.5
Off-Highway	101	118	16.8	131	146	11.5	116	132	13.8
Subtotal	2657	2990	12.5	2649	2698	1.8	2653	2843	7.2
Miscellaneous	25	5		49	56		37	31	
Total	2682	2995	11.7	2698	2754	2.1	2690	2874	6.8

Sources: DOE-Totals only - 1983 + 10 Months 1984; Nov/Dec. 1984 Totals-API data. Sectorial breakdowns are API estimates.

Residual Fuel Oil

DOWN ABOUT 4% FROM 1983 LEVELS. December's 351 MBD (22.1%) residual fuel oil delivery decrease was the largest of 1984 and only to a minor degree weather related. For the year as a whole, residual fuel oil deliveries fell 63 MBD (4.4%) from the prior-year level.

First-half increases and second-half decreases in bunker fuel deliveries produced a net decline of some 10 MBD below 1983 bunker fuel levels in 1984. Continued conservation efforts, such as slow-steaming, are likely to have more than offset an overall increase in petroleum trade. This market segment represents a significant portion of total worldwide shipping activity.

Electric utilities resorted to greater residual fuel oil use mainly at times of weather extremes, such as occurred during the beginning of the year. For 1984 as a whole, deliveries to utilities are estimated to have fallen some 50 MBD despite a roughly 4% increase in electricity generation, further depressing residual fuel oil's share of input.

Exhibit V shows the price history of major energy sources used by U.S. electric utilities to generate electricity for the period 1979 through 1984. In the utilities sector of the market, where spot transactions have played a lesser role, the margin between residual fuel oil and natural gas narrowed in 1983 but widened somewhat in 1984.

Little year-to-year change occurred in industrial use of residual fuel oil. While stronger in the first half, deliveries over the past several months have again experienced year-to-year decreases as a result of relatively high resid prices and some slackening in the pace of the economic recovery. In contrast to other petroleum products, prices of residual fuel oil have been relatively constant—and at times higher—because coal-strike-related United Kingdom needs, alternate use of residual fuel oil as refinery feed, and changes in refinery configurations to produce proportionately higher yield of lighter products have provided continued support for residual fuel oil price levels. Prices for natural gas, its major competitor in the industrial sector, have likewise been relatively stable, though, where contract renewals occurred, lower price terms reportedly resulted in many instances. As a result, 1984 residual fuel oil deliveries in the industrial sector are believed to have been about equal to 1983 levels, since incentives for switching between residual fuel oil and natural gas did not change materially.

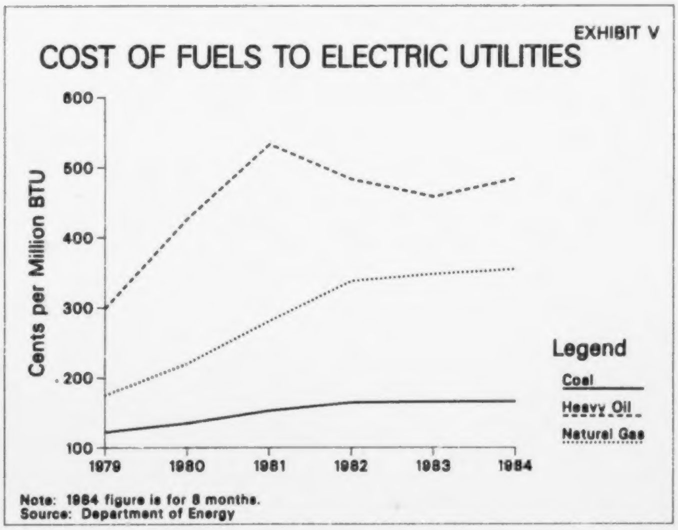


EXHIBIT V

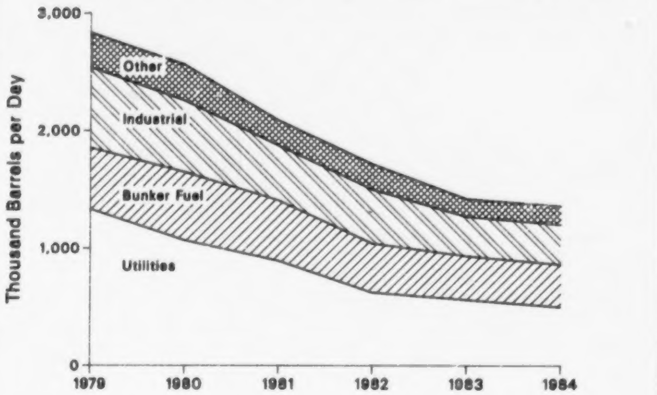
COST OF FUELS TO ELECTRIC UTILITIES

Note: 1984 figure is for 8 months.
Source: Department of Energy

Exhibit VI depicts the sectorial shares of the residual fuel oil market over the past six years, reflecting both its overall volume loss and the changing shares of its sectors. The volume loss over the period, in the main, was the result of rising residual fuel oil prices and its eroding competitive position vis-à-vis alternate fuel sources. A slackening of the economy, only turned around since 1983, contributed to the decline in residual fuel oil use over the past several years. The experience is not unique to the U.S. Available data indicate that, while not quite as severe a decline as in the U.S., consumption fell by roughly one-third between 1979 and 1983 in Western Europe and Japan.

EXHIBIT VI

RESIDUAL FUEL OIL SUPPLIED BY SECTOR



Sources: 1979-1983, Department of Energy, 1984, API estimate.

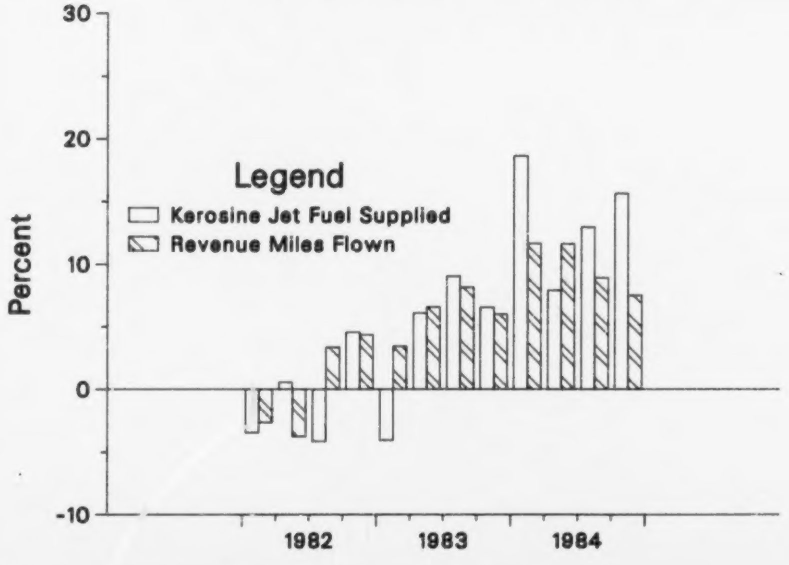
Kerosine Jet Fuel

DELIVERIES ALMOST 14% AHEAD OF LAST YEAR.

Kerosine jet fuel deliveries rose 7% in December but are up nearly 14% for the year as a whole. Reasons for the high percentage increase continue to be difficult to determine. While adjustments in inventories by operating companies, both in recent months and at the beginning of 1984, likely contributed to the increase, and some product early in the year may have been used to augment temporarily-tight distillate supplies, most of the increase is the result of higher airline traffic. The only offset is provided by continued efficiency improvements; however, it is doubtful that the substantial rates of operating savings achieved in the early eighties are being duplicated. It is, therefore, surprising that the advance in miles flown is reported to have averaged only about 10% (10 months data).

EXHIBIT VII

YEAR-TO-YEAR PERCENT CHANGE IN KEROSINE JET FUEL SUPPLIED AND IN REVENUE MILES FLOWN

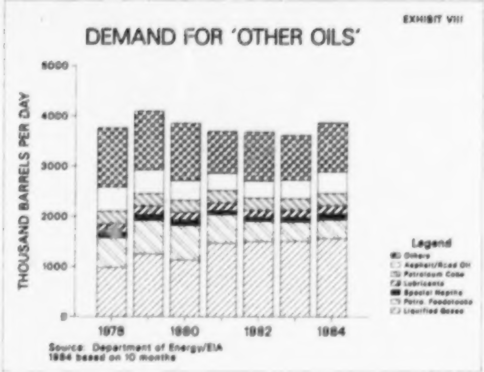


Note: Last figure for revenue miles flown is for October, 1984.
Sources: Department of Energy, American Petroleum Institute, Civil Aeronautics Board

Exhibit VII shows year-to-year increases in miles flown and kerosine jet deliveries for 1982, 1983, and 1984 on a quarterly basis. It is evident that air traffic grew at an even faster pace in 1984 than in 1983, as the economic recovery gained momentum.

Other Oils

UP 7% OVER 1983. "Other oils" were supplied at an increased rate of 251 MBD (6.9%) in 1984 over the prior year's level. Exhibit VIII shows the sector breakdown of "other oils" since 1978. The 1983/1984 quarterly breakdown in table C below reveals that 1984's nearly 7% overall advance masks a change in the rate of year-to-year increases as the year progressed.



Source: Department of Energy/EIA
1984 based on 10 months

Table C
Demand for "Other Oils"
(MBD)

		Liquified Petroleum Gases	Petro-Chemical Feedstocks	Special Naphtha	Lubricants	Petroleum Coke	Asphalt and Road Oil	Misc. Oils	Total
1983									
	Q I	1675	394	74	133	189	753	904	3522
	II	1255	401	83	150	203	413	824	3329
	III	1590	386	86	155	273	408	1140	3838
	IV	1716	374	81	148	248	315	944	3826
1984									
	Q I	1762	411	97	158	260	164	989	3841
	II	1399	405	113	159	240	435	977	3728
	III	1486	362	129	153	243	656	972	4001
OCTOBER									
		1648	294	108	162	286	540	933	3971(a)

Source: Department of Energy. Note (a): 1984 DOE data not available beyond October.

The variance in part reflects the fairly substantial changes that occurred in chemical sales levels. While sales growth was in the area of 10% earlier this year, the pace has slackened considerably during the past several months as a result of a moderation of economic activity and continuing increased imports of major chemicals.

(In millions of B/D)	DECEMBER ESTIMATES 1984	DECEMBER ESTIMATES 1983	DECEMBER ESTIMATES % Change	YEAR-TO-DATE ESTIMATES 1984	YEAR-TO-DATE ESTIMATES 1983	YEAR-TO-DATE ESTIMATES % Change
—Total domestic products supplied	16.1	16.7	(4.0)	15.8	15.2	3.5
—Motor gasoline supplied	6.8	6.8	(0.9)	6.7	6.6	1.2
—Distillate fuel oil supplied	3.1	3.4	(9.1)	2.9	2.7	6.8
—Residual fuel oil supplied	1.2	1.6	(22.1)	1.4	1.4	(4.4)

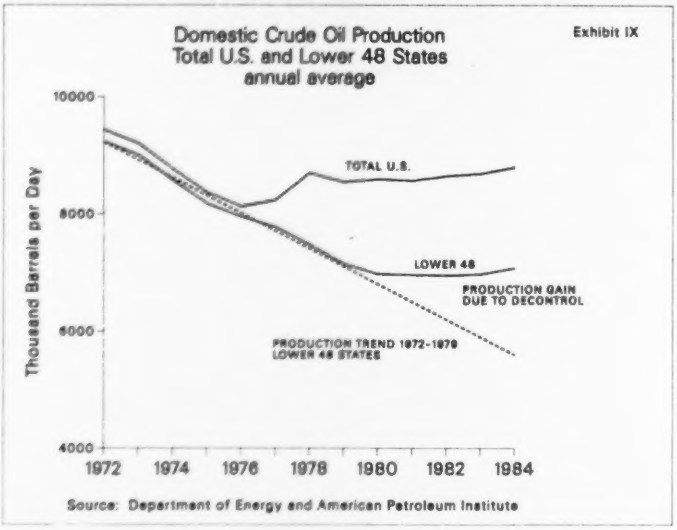
PETROLEUM SUPPLY[1/]

Total supply was 804 MBD above 1983 levels; imports rose 369 MBD and total domestic supply increased 435 MBD. The latter increase is at least partly the result of rising levels of "unaccounted - for" crude oil, currently under scrutiny. There has also been a roughly 5½% increase in natural gas liquids production over 1983 levels as natural gas production increased.

Production

UP 1.4% OVER LAST YEAR. Crude oil production rose 123 MBD (1.4%) over last year, three times 1983's year-to- year advance. While total U.S. output has been rising since late 1981, it has only been since last spring that the contribution made by lower 48 output played a meaningful part in the overall increase. The sizable weather-related production decrease in December 1983—some 300-400 MBD—biases the comparison somewhat in favor of 1984 results.

Exhibit IX



Source: Department of Energy and American Petroleum Institute

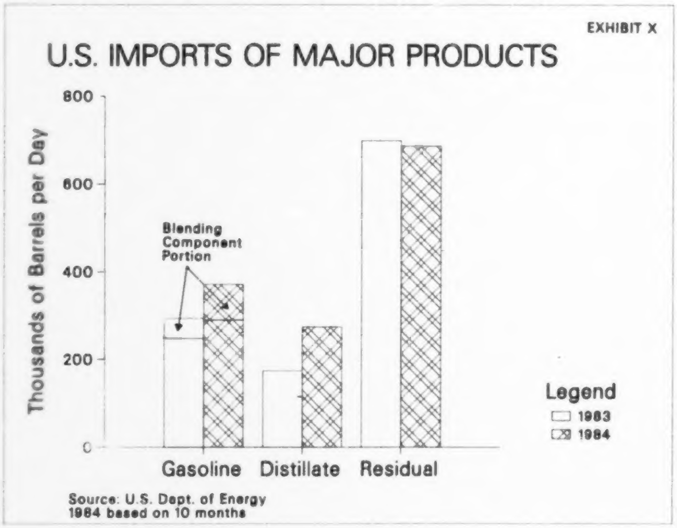
As Exhibit IX shows, lower forty-eight production began to rise slowly soon after oil prices were decontrolled. Current production is some 1.6 million barrels per day higher than likely would have been the case, had the steady year-to-year losses of the price-controlled seventies continued.

Imports

1984 IMPORTS ALMOST 8% HIGHER THAN LAST YEAR

Total petroleum imports rose 369 MBD (7.7%) over year-earlier levels. The 1984 increase in product imports was over twice the size of the increase in crude oil imports. Exhibit X compares 1983 and 1984 imports for major product categories. With residual fuel oil imports down some 5% from 1983 levels, the largest portion of the product imports increase is the result of higher imports of distillates and gasoline (including gasoline components) which rose by about one-half and one-third, respectively, over year-earlier levels.

EXHIBIT X

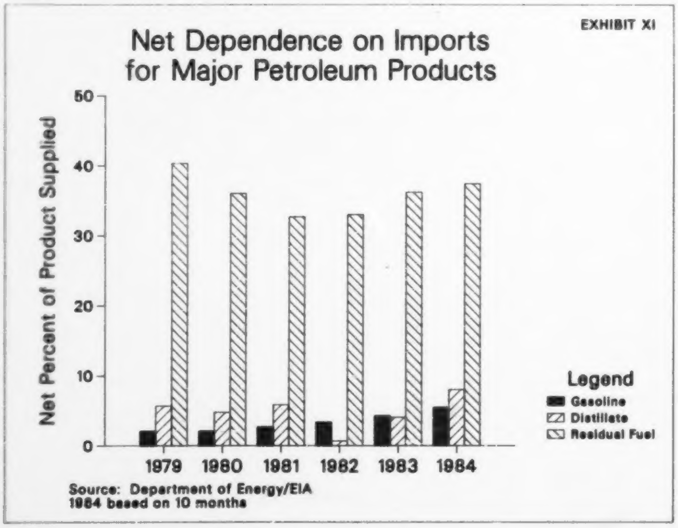


Source: U.S. Dept. of Energy
1984 based on 10 months

Though the increase in product imports was more marked in 1984, product imports have garnered an increasing share of individual products' total demand over the past few years. The change in the rate of increase in the import of gasoline components, even within 1984, was especially dramatic. While about 55% higher than 1983's in the first half, volume is estimated at more than twice 1983's level in the second half, in good part because increases in the fourth quarter are believed to have been at an even greater rate.

The growth of imports, related to rising demand and relatively stable inventories, and a fall-off of export levels, pushed up U.S. net dependency to almost 29%. It had declined from about 43% in 1979 to 27% in 1983. Exhibit XI traces net dependency levels graphically by major product for the past 6 years and quarterly levels of total net dependency are detailed in table D.

EXHIBIT XI



Source: Department of Energy/EIA
1984 based on 10 months

TABLE D

TOTAL NET DEPENDENCE ON PETROLEUM IMPORTS

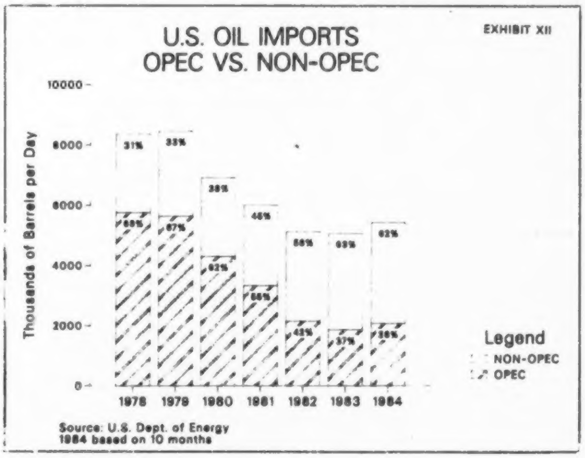
	1979	1980	1981	1982	1983	1984
Q1	40.1%	40.6%	34.2%	24.3%	19.1%	28.6%
Q2	42.7	38.4	30.6	25.6	27.0	29.0
Q3	45.0	35.6	32.9	30.7	33.0	27.9
Q4	43.4	33.4	30.3	27.7	27.6	28.9

SOURCE: DEPT. OF ENERGY AND AMERICAN PETROLEUM INST.

Because of constantly-changing market conditions, year-to-year changes in import patterns have been erratic. The large increases that occurred in the first half of the year reflected unusually low levels in the early part of the corresponding 1983 period when purchasers held back commitments due to impending price decreases. Price uncertainties in the third quarter of 1984 reduced import levels. Fourth quarter levels, while ahead of last year despite December's roughly 200 MBD decrease, were below the average for the first nine months on a deseasonalized basis as demand faltered.

As Exhibit XII shows, sources of U.S. imports changed in favor of non-OPEC nations until 1983. As inventories stabilized and demand rose, there has been a slight shift towards OPEC producers, the marginal sources of supply.

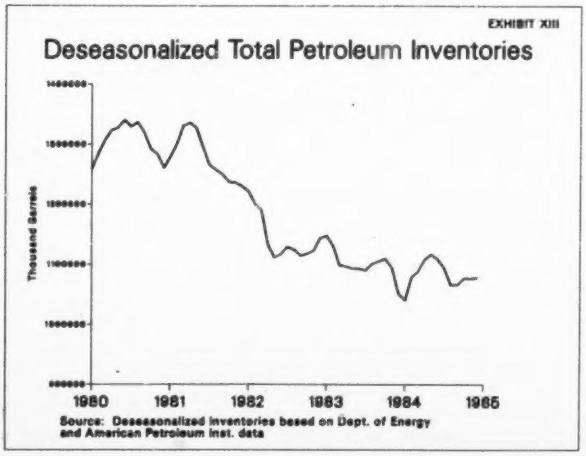
Mexico continued to be the leading source of U.S. imports in 1984 (10 months data) followed by Canada, Venezuela, the United Kingdom, and Saudi Arabia. For the corresponding period in 1983, the order for the first four places was the same, but Indonesia had then occupied fifth place.



Source: U.S. Dept. of Energy
1984 based on 10 months

Inventories

UP SLIGHTLY OVER LAST DECEMBER. Stock levels at the end of the year were slightly higher than at the end of 1983,mainly because of higher gasoline and distillate inventories.



Source: Deseasonalized inventories based on Dept. of Energy and American Petroleum Inst. data

Exhibit XIII graphs deseasonalized inventory levels for the past four years, showing their relative stability since they were reduced in 1982 from the abnormal levels held following the supply disruption of late-1978/early 1979.

Gasoline inventories were above normal during the first half of 1984, in the main because of substantial levels of distillate production needed to satisfy demand and replenish inventories, but have been reduced in recent months. At year's end, gasoline inventories represented a relatively-normal 36 days of supply versus 32 days of supply last December.

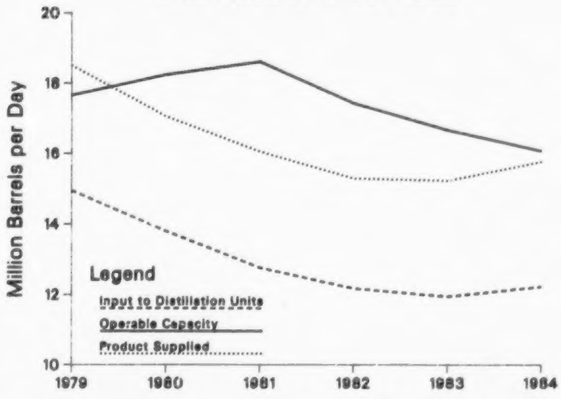
With fourth-quarter distillate production levels almost 150 MBD above 1983 levels for the corresponding period and distillate demand inhibited by warmer weather in recent weeks, distillate stocks reached a level some 18 million barrels above last year by the end of December.

Operations

Exhibit XIV compares refinery input, operable capacity, and levels of product supplied. While average input to distillation units increased about 280 MBD (roughly 2.3%) in 1984 over 1983 levels, the domestic products supplied level rose about 540 MBD, or 3.5%, the difference accounted for largely by higher products imports. The higher input, combined with a 3.5% decrease in operable capacity, raised the average refinery utilization rate by more than 4 percentage points, to 76%, in 1984 over the prior year level. Despite the continued decline in operable capacity in 1984, however, utilization rates are still far below levels of the early seventies, when input to refineries was only slightly below 1984's but total operable refining capacity almost three million barrels below current levels.

EXHIBIT XIV

INPUT TO DISTILLATION UNITS, REFINERY CAPACITY, AND PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute.

Exploration

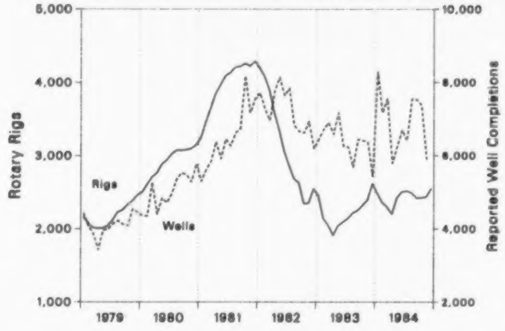
RISING ACTIVITY LEVELS IN 1984. Drilling activity picked up somewhat from 1983 levels. The number of active rigs rose 9% over year-ago levels. Year-to-year increases have been considerably lower in recent months, and, because of December's decrease, averaged only about 1% in the fourth quarter. Wells reported drilled averaged an almost 8% greater number than in 1983 (11 months data). The comparison is slightly distorted by an additional reporting week in January of 1984; this accounts for roughly 2 percentage points of the total increase. As mentioned in last month's Report, starting in 1985 the A.P.I. will switch to a new reporting system based on "month-of-completion" data.

Exhibit XV shows activity levels for active rigs and the number of wells reported drilled for the last six years.

Seismic crew levels, a longer range indicator, rose 4% in 1984 from prior-year levels.

EXHIBIT XV

SEASONALLY ADJUSTED ROTARY RIG ACTIVITY AND REPORTED WELL COMPLETIONS



Sources: Hughes Tool Company, American Petroleum Institute

(In millions of B/D)	DECEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.1	15.3	5.3	16.5	15.7	5.1
—Crude production[2/]	8.8	8.4	4.8	8.8	8.7	1.4
—Crude oil imports[3/4/]	2.7	3.0	(9.5)	3.2	3.1	3.6
—Product imports	1.9	1.8	4.6	2.0	1.7	14.9

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 451 million barrels as of December 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	DECEMBER			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,781	6,846	(0.9)	6,702	6,622	1.2
Finished leaded motor gasoline*	2,520	2,880	(12.5)	2,715	2,975	(8.7)
Finished unleaded motor gasoline*	4,261	3,966	7.4	3,987	3,647	9.3
Naphtha-jet	250	206	21.4	225	207	8.7
Kerosine-jet	1,040	975	6.7	954	839	13.7
Distillate fuel oil	3,060	3,365	(9.1)	2,874	2,690	6.8
Residual fuel oil	1,236	1,587	(22.1)	1,358	1,421	(4.4)
All other oils[4]	3,879	3,921	(1.1)	3,870	3,619	6.9
Reclassified[5]	- 184	- 173	6.4	- 211	- 166	27.1
Total domestic products supplied	16,062	16,727	(4.0)	15,772	15,232	3.5
Exports	665	639	4.1	677	739	(8.4)
Total products supplied	16,727	17,366	(3.7)	16,449	15,971	3.0
Supply:						
Domestic production:						
Crude oil[6]	8,796	8,397	4.8	8,811	8,688	1.4
Natural gas liquids	1,718	1,544	11.3	1,644	1,559	5.5
Other supply[7]	980	530	84.9	881	654	34.7
Total domestic supply	11,494	10,471	9.8	11,336	10,901	4.0
Imports:						
Crude oil, total	2,732 10/	3,020 10/	(9.5)	3,209 10/	3,096 10/	3.6
Canadian	284	299	(5.0)	328	274	19.7
Other	2,448	2,721	(10.0)	2,881	2,822	2.1
Products, total	1,904	1,820	4.6	1,978	1,722	14.9
Residual fuel oil	581	649	(10.5)	663	699	(5.2)
Other	1,323	1,171	13.0	1,315	1,023	28.5
Total imports	4,636	4,840	(4.2)	5,187	4,818	7.7
Total supply	16,130	15,311	5.3	16,523	15,719	5.1
Stock change, all oils	- 597	-2,055	XXXX	+ 74	- 252	XXXX
Refinery Operations						
Input to crude oil distillation units	11,984	11,424	4.9	12,225	11,947	2.3
Operable capacity	16,074	16,342	(1.6)	16,081	16,668	(3.5)
Refinery utilization (%)[8]	74.6%	69.9%	6.7	76.0%	71.7%	6.0
Crude oil runs	11,824	11,234	5.3	12,057	11,685	3.2

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	Dec. 31[9]	Nov. 30[9]	Dec. 31	Previous Month	Year Ago
Crude oil 10/	337.0	341.4r/	343.9	(1.3)	(2.0)
Unfinished oils	96.7	106.9	108.0	(9.5)	(10.5)
Total motor gasoline**	241.0	242.7	222.4	(0.7)	8.4
Finished leaded motor gasoline*	91.5	89.2	94.1	2.6	(2.8)
Finished unleaded motor gasoline*	110.4	111.2	91.4	(0.7)	20.8
Naphtha-jet	7.1	6.7r/	6.3	6.0	12.7
Kerosine-jet	37.2	39.4	32.3	(5.6)	15.2
Distillate fuel oil	158.4	160.4r/	140.3	(1.2)	12.9
Residual fuel oil	54.2	50.2	48.5	8.0	11.8
All other oils	170.1	172.5r/	172.8	(1.4)	(1.6)
Total all oils	1,101.7	1,120.2r/	1,074.5	(1.7)	2.5

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-October, U.S. Department of Energy, November-December, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	4th QUARTER		
	1984[1]	1983[2]	% Change
Products Supplied:			
Total motor gasoline	6,720	6,680	0.6
Finished leaded motor gasoline*	2,555	2,889	(11.6)
Finished unleaded motor gasoline*	4,165	3,791	9.9
Naphtha-jet	231	192	20.3
Kerosine-jet	1,008	872	15.6
Distillate fuel oil	2,924	2,950	(0.9)
Residual fuel oil	1,179	1,397	(15.6)
All other oils[3]	3,900	3,826	1.9
Reclassified[4]	- 184	- 184	-
Total domestic products supplied	15,778	15,733	0.3
Exports	636	631	0.8
Total products supplied	16,414	16,364	0.3
Supply:			
Domestic production:			
Crude oil[5]	8,831	8,644	2.2
Natural gas liquids	1,701	1,596	6.6
Other supply[6]	885	605	46.3
Total domestic supply	11,417	10,845	5.3
Imports:			
Crude oil, total	3,280[9]	3,143[9]	4.4
Canadian	323	294	9.9
Other	2,957	2,849	3.8
Products, total	1,921	1,835	4.7
Residual fuel oil	514	688	(25.3)
Other	1,407	1,147	22.7
Total imports	5,201	4,978	4.5
Total supply	16,618	15,823	5.0
Stock change, all oils	+ 204	- 541	XXXX
Refinery Operations			
Input to crude oil distillation units	12,115	11,869	2.1
Operable capacity	16,047	16,337	(1.8)
Refinery utilization (%)[7]	75.5%	72.7%	3.9
Crude oil runs	11,953	11,670	2.4

Stocks (millions bbls.)	4th QUARTER		
	1984[8]	1983[2]	% Change
Crude oil	337.0[9]	343.9[9]	(2.0)
Unfinished oils	96.7	108.0	(10.5)
Total motor gasoline**	241.0	222.4	8.4
Finished leaded motor gasoline*	91.5	94.1	(2.8)
Finished unleaded motor gasoline*	110.4	91.4	20.8
Naphtha-jet	7.1	6.3	12.7
Kerosine-jet	37.2	32.3	15.2
Distillate fuel oil	158.4	140.3	12.9
Residual fuel oil	54.2	48.5	11.8
All other oils	170.1	172.8	(1.6)
Total all oils	1,101.7	1,074.5	2.5

1/ Source: U.S. Department of Energy, October; November-December, API.
2/ Source: U.S. Department of Energy.
3/ Includes crude losses.
4/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
5/ Includes lease condensate.
6/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
7/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
8/ Derived by interpolating API weekly stocks data.
9/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department **Vol. 9, No. 1**

FEBRUARY 13, 1985 **JANUARY 1985**

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products are estimated to have been supplied at a 578 MBD (3.5%) lesser rate in January than year-earlier levels. All but about 100 MBD of the decline is attributable to lower levels of residual fuel oil deliveries.

Crude oil production was about 59 MBD below last-year levels, mainly as a result of an interruption in movements through the Alaskan pipeline. Imports fell about 17% from January 1984 levels; more than half of the decline was caused by lower imports of residual fuel oil. Inventories fell about 44 million barrels, some 20 million barrels more than the seasonal decline in recent years, mainly because of a substantial reduction in crude oil inventories and a counterseasonal drop in gasoline stocks.

The count of active rigs fell about 8% compared with January 1984 levels. January well data, to be issued on the new "month-of-completion" basis, are not yet available. Preliminary figures indicate that, for 1984 as a whole, wells reported drilled rose more than 7%.

PRODUCTS SUPPLIED[1/]

Gasoline

UP ABOUT 1.6% FROM LAST JANUARY'S LEVEL.

Deliveries of gasoline rose 100 MBD (1.6%) over January 1984 levels, continuing the trend of lower year-to-year increases experienced since mid-1984.

Gasoline prices fell more than 2¢ during January and, when adjusted for inflation, are currently about 29% below the high experienced in March 1981.

On the basis of continued declines in gasoline prices and rising disposable personal income, miles traveled should have risen meaningfully, and gasoline demand - if engine efficiency had remained the same - risen proportionately. From 1982 to date, for example, the combination of falling gasoline prices and higher real disposable personal income should have raised gasoline demand by roughly 10%. However, deseasonalized gasoline demand over the past several months has only been about 3% over average 1982 levels, indicating that engine efficiency provided a roughly 7% offset in that period.

Unleaded gasoline's share of the gasoline market, at close to 63%, is more than 5 percentage points ahead of last January's. High levels of new car sales have not abated, continuing to support the demand change to unleaded gasoline.

Distillates

DOWN 4½% COMPARED WITH LAST JANUARY.

Distillate deliveries declined 156 MBD (4.5%), mainly as a result of changes in purchase patterns by holders of secondary storage. While both January 1984 and January 1985 experienced below-normal temperatures, the weather this year was about 3% colder than a year ago. This weather variance should have increased distillate demand slightly - by perhaps 20-30 MBD.

Last January experienced considerable replenishment of non-primary inventories, while there are indications that these stocks were being drawn down this January. These differences in purchase patterns are estimated to have resulted in a 125-150 MBD reduction in deliveries from primary storage.

Truck traffic levels are estimated to have been minimally below January 1984 levels; however, rail traffic was up some 6%, leaving combined diesel demand at roughly the same level as last year. These segments' diesel requirements have fallen somewhat from high mid-1984 levels, however, as the economic recovery moderated.

Residual Fuel Oil

DOWN 24% FROM JANUARY 1984 LEVELS. Residual fuel oil was supplied at a 473 MBD (23.9%) lesser rate than a year ago. The substantial decline resulted mainly from lower deliveries to electric utilities and industrial customers. Somewhat lower bunker fuel deliveries and non-primary inventory changes contributed to the overall decrease.

Latest available data indicate that increases in bunker fuel demand in the second half of 1984 were partially offsetting first half decreases. However, recent world shipping activity, in part because of lower petroleum shipments, may have declined somewhat. The adverse effect on U.S. bunker fuel demand is estimated at about 10-20 MBD.

Electric utilities are likely to have reduced purchases of residual fuel oil in January by about 200 MBD, even though electricity generation increased compared with last January's level. Decreases have been recorded in almost every month since March of 1984.

Prices for residual fuel oil continued to be strong relative to those of other petroleum products. While, overall, natural gas prices had been relatively stable over the past 1½ years, contract renewals have often been at lower prices, partly because of special marketing programs and growing spot market sales. The price of imported gas has also been lowered considerably. As a result, prices during the last few months for which data are available have shown a generally-downward trend, with both producer and retail natural gas prices falling slightly.

Deliveries of residual fuel oil to the industrial sector suffered an estimated decline of more than 100 MBD as a result of the continuing strength of residual fuel oil prices and a moderation of economic activity. With most new and replacement industrial boilers having dual-fuel capability, some industrial accounts may well have taken advantage of recent months' downward trend in natural gas prices to switch to that fuel source.

A decrease of more than 100 MBD is estimated to have occurred because of changes in deliveries into non-primary storage. Last January followed an extremely cold December, requiring replenishment of depleted customer inventories. While this January was in fact slightly colder, December 1984 had much milder weather than normal.

Kerosine Jet Fuel

3% ABOVE A YEAR AGO. Deliveries of kerosine jet fuel rose a mere 3% in January, considerably below recent-month increases. While weather was harsh, similar conditions prevailed last year, eliminating this factor as a major retardant of year-to-year increases. One of the reasons may have been the changing pattern of stock replenishments by airport operating companies. Another cause is the apparent diversion last January of sizable amounts of kerosine jet fuel to distillate use in order to alleviate the temporary tightness of distillate availability.

Miles flown during the last quarter of 1984 were an estimated 10% ahead of the corresponding 1983 quarter. With heavy promotion of incentive fares since mid-January, there is good reason to believe that air traffic levels continued to be high during January.

Other Oils

DOWN ABOUT 3%. Deliveries of "other-oils" declined 117 MBD (2.9%) in January. Asphalt and road oil deliveries — about 12% of "other-oils"—rose during the October/November period (latest data available) over year-earlier levels. The increase was generated largely by a higher level of state and local highway construction and repair. This activity is financed in part by state motor fuel tax increases during the past few years. Funds from the 5¢ per gallon increase in federal motor fuel excise taxes, effective April 1, 1983, have not yet been allocated to individual states for road building and maintenance purposes.

A portion of the January decline is likely to have occurred in the petrochemical feedstock sector, in part related to moderating chemical activity. During the three-month period ending in November (latest month available), sales for this segment of the "other oils" category fell about 100 MBD versus the corresponding 1983 period. This downtrend is not out of line with the pattern of chemical sales activity. Strong chemical sales increases early in 1984 started to moderate at mid-year, matching - and eventually falling short of - late 1983 activity levels. It is estimated that January levels of chemical sales failed to match last year's pace, adversely affecting purchase levels of feedstocks by that industry.

Another reason for the decrease in "other oils" is the continuing high levels of imports of major chemicals into the U.S. Imports of the four chemicals representing the largest chemical imports for which volumes were reported during the two-month period ending in November 1984, for example, rose by more than a quarter over the corresponding 1983 period.

(In millions of B/D)	JANUARY ESTIMATES		
	1985	1984	% Change
—Total domestic products supplied	16.2	16.7	(3.5)
—Motor gasoline supplied	6.4	6.3	1.6
—Distillate fuel oil supplied	3.3	3.5	(4.5)
—Residual fuel oil supplied	1.5	2.0	(23.9)

PETROLEUM SUPPLY [1/]

Total supply was 932 MBD below January 1984 levels, with a 62 MBD decrease in total domestic supply adding to the 870 MBD decrease in imports.

Production

FELL ALMOST 1%. Crude oil production fell 59 MBD (0.7%) in January. Production in Alaska was adversely affected by an interruption in pipeline flow to remedy an operational problem, which reduced average January Alaskan output by some 100 MBD. Lower 48 production experienced a 40 MBD increase.

A 78 MBD increase in natural gas liquids production over January 1984 levels resulted from higher natural gas production levels which also experienced year-to-year increases in recent months.

Imports

DOWN 17% FROM YEAR-EARLIER LEVELS. Total imports fell 870 MBD (16.9%). Uncertainty continued to plague world oil markets, causing a 269 MBD drop in crude imports into the U.S. Product imports fell 601 MBD, a decrease caused largely by a roughly 50% drop in residual fuel oil imports. The continuing U.K. coal strike, and the adverse effects of often-record cold weather on European refinery production—while simultaneously raising consumption levels—kept resid prices at high levels in Europe. At the same time, deliveries in the U.S. declined.

Imports of gasoline and gasoline components are estimated to have increased 80-100 MBD, or by about one-third, in January over last year's level, while distillate imports fell about 12%.

Mexico was the leading source of U.S. petroleum imports in November 1984 (latest month available), followed by Canada, the United Kingdom, Venezuela, and Indonesia. The standing is the same for 11 months of 1984, except for a switch in the positions held by the United Kingdom and Venezula.

Preliminary figures indicate that the U.S. trade deficit almost doubled in 1984 over 1983 levels. The value of petroleum imports — about one-sixth of total imports — showed an increase of about 7%, despite a small drop in the average price. Oil's share of the total deficit dropped from about 85% to less than 50% of total, however. The high exchange rate of the dollar in relation to other currencies also encouraged importation of chemicals, electronic equipment, cars, and other manufactured goods.

Inventories

IN LARGER-THAN-SEASONAL DECLINE. Total inventories fell about 44 million barrels in January, some 20 million barrels above recent-year experience. Gasoline inventories experienced some further downward adjustments; they fell some 8 million barrels versus a roughly equal increase normal for this time of year. Distillate inventories fell some 15 million barrels, significantly less than normal for this time of year. That the below-normal drawdown at the primary level occurred despite extremely cold weather conditions indicates that holders of secondary storage apparently permitted inventories to fall by about 100 MBD. Primary inventories of distillate, however, are still more than 23 million barrels above January 1984 levels. Crude oil inventories fell about 8 million barrels from last month's level, essentially because of lower imports related to continuing world market uncertainties.

Operations

OPERABLE CAPACITY LEVELS REDUCED. To recognize further refinery closings, operable capacity levels shown in the attached table have been reduced from those previously used. For January, they were almost 420 MBD below year-earlier levels. The net effect of reduction in refinery capacity and lower input accounts for the roughly 1 percentage point improvement in the refinery utilization rate over January 1984's level.

Exploration

RIG ACTIVITY AT LOWER LEVELS. Rig activity fell 8% from the January 1984 count to the lowest January level since 1979. The decrease is largely attributable to cold and wet weather which reached far south into the Gulf Coast states, affecting drilling activities. January well data are not yet available. This is the first month in which reports will cover actual month-of-completion figures.

For the year 1984, preliminary reports indicate that the number of wells reported drilled rose 7.5% and footage drilled about 6.9%. It is interesting to note, however, that while the number of oil wells reported drilled rose more than 10%, the increase in gas wells was less than 0.5%. The number of exploratory oil wells reported drilled rose almost 16%, while gas wells fell 20%, demonstrating substantial differences in the incentives for further exploration.

(In millions of B/D)	**JANUARY ESTIMATES**		
	1985	**1984**	**% Change**
—Total supply	15.4	16.4	(5.7)
—Crude production[2/]	8.7	8.8	(0.7)
—Crude oil imports[3/][4/]	2.6	2.8	(9.5)
—Product imports	1.7	2.3	(25.9)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 457 million barrels as of January 31, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JANUARY					
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,368	6,268	1.6			
Finished leaded motor gasoline*	2,364	2,662	(11.2)			
Finished unleaded motor gasoline*	4,004	3,606	11.0			
Naphtha-jet	220	190	15.8			
Kerosine-jet	1,034	1,004	3.0			
Distillate fuel oil	3,334	3,490	(4.5)			
Residual fuel oil	1,508	1,981	(23.9)			
All other oils[4]	3,890	4,007	(2.9)			
Reclassified[5]	- 204	- 212	(3.8)			
Total domestic products supplied	16,150	16,728	(3.5)			
Exports	705	575	22.6			
Total products supplied	16,855	17,303	(2.6)			
Supply:						
Domestic production:						
Crude oil[6]	8,737	8,796	(0.7)			
Natural gas liquids	1,663	1,585	4.9			
Other supply[7]	755	836	(9.7)			
Total domestic supply	11,155	11,217	(0.6)			
Imports:						
Crude oil, total	2,560 10/	2,829 10/	(9.5)			
Canadian	212	293	(27.6)			
Other	2,348	2,536	(7.4)			
Products, total	1,717	2,318	(25.9)			
Residual fuel oil	552	1,061	(48.0)			
Other	1,165	1,257	(7.3)			
Total imports	4,277	5,147	(16.9)			
Total supply	15,432	16,364	(5.7)			
Stock change, all oils	-1,423	- 939	XXXX			
Refinery Operations						
Input to crude oil distillation units	11,676	11,799	(1.0)			
Operable capacity	15,778	16,196	(2.6)			
Refinery utilization (%)[8]	74.0%	72.9%	1.5			
Crude oil runs	11,528	11,579	(0.4)			

Stocks (millions bbls.)	1985	1984	1984[2]	% Change from . . .	
	Jan. 31[9]	Dec. 31[9]	Jan. 31	Previous Month	Year Ago
Crude oil 10/	328.8	337.0	348.4	(2.4)	(5.6)
Unfinished oils	99.1	96.6r/	110.8	2.6	(10.6)
Total motor gasoline**	233.5	241.1r/	225.5	(3.2)	3.5
Finished leaded motor gasoline*	88.1	91.5	92.3	(3.7)	(4.6)
Finished unleaded motor gasoline*	108.8	110.5r/	93.3	(1.5)	16.6
Naphtha-jet	6.5	7.1	6.3	(8.5)	3.2
Kerosine-jet	35.7	37.1r/	29.3	(3.8)	21.8
Distillate fuel oil	142.8	158.2r/	119.5	(9.7)	19.5
Residual fuel oil	47.6	54.2	45.4	(12.2)	4.8
All other oils	155.7	162.5r/	160.3	(4.2)	(2.9)
Total all oils	1,049.7	1,093.8r/	1,045.5	(4.0)	0.4

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source:
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department **Vol. 9, No. 2**

MARCH 13, 1985 **FEBRUARY 1985**

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The level of total domestic products supplied rose an estimated 641 MBD (4.2%) in February over year-earlier levels; all major products contributed to the increase with the exception of residual fuel oil, which fell more than 200 MBD. Of the total net increase, it is estimated that roughly half is directly related to colder weather with the remainder attributable to sizable changes in non-primary inventories and around a 1% increase in demand.

Crude oil production rebounded from January's drop which had been caused by operational problems at the Alaskan pipeline, posting a slight increase over last February's daily average. Imports, still under the cloud of price uncertainty, fell more than 1.7 million barrels per day below last February's levels. This led to a substantial reduction in crude oil inventories and contributed to a larger-than-seasonal drawdown of total inventories.

Drilling activities continued to lag prior-year levels. The count of active rigs dropped about 10% below last February's. The January count of wells completed, the first to be prepared using the new approach to well activity reporting, shows the number of January well completions to be roughly one-third below last year's level. Such one-month comparisons, however, are difficult to interpret.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 2% FROM LAST FEBRUARY'S LEVEL. Deliveries of gasoline rose 123 MBD (2.0%) over last February's level, roughly in line with the average pace of recent year-to-year increases. The advance is in large part the result of a roughly 7% increase in real disposable income (year 1984 vs. year 1983) and a drop in gasoline prices. Gasoline pump prices, while minimally ahead of last month as posted prices recovered slightly from their several-month decline, were still roughly 11¢ below year-ago levels, when adjusted for inflation. In addition, last February's deliveries had been slightly below the then-prevailing trend.

Unleaded gasoline's share of the total gasoline market, at roughly 62% in February, has remained in the lower 60 percent range for several months, some 4-5 percentage points above prior-year levels. Car sales continue to be strong, though the year-to-year increases of the past two months have been less than those experienced last year. During 1984, total car sales rose about 13%, but the January/February total is only about 3% above the corresponding period last year.

Distillates

UP 18% OVER LAST FEBRUARY. Distillate deliveries rose 506 MBD (17.8%) over year-earlier levels. A roughly 300 MBD share of the increase is the result of weather about 27% colder than last February's when average temperatures were considerably warmer than normal. The remainder is in large measure related to inventory changes at the secondary and end-user levels.

After a pause in the third quarter of 1984, the economy showed renewed vigor. Based on recent trends, rail and truck traffic levels are likely to have been close to last February's levels. As a result, the demand for diesel oil is estimated to have been about the same as a year ago.

In addition to the weather effect, the remainder of the increase in distillate deliveries is likely to have resulted from the behavior of non-primary inventories. Last February's purchases by distributors were below normal levels. While there may have been some initial hesitancy this February in making purchases, the low level of inventories, depleted by harsh January weather, and a turnaround in product prices appear to have eventually induced resellers to replenish inventories.

Residual Fuel Oil

DOWN 13% VERSUS LAST YEAR.

Deliveries of residual fuel oil fell 203 MBD (12.7%) compared with February 1984 levels, continuing the long-prevailing downward trend.

Because of volatile price conditions, world trade in petroleum products is estimated to be some 5%-10% below year-earlier levels, adversely affecting bunker fuels requirements for overall world shipping activities. As a result, U.S. bunker fuel sales are estimated to have fallen 10-20 MBD from year-ago levels when oil import activity was considerably higher than this year's.

In the utility and industrial sectors of the market, resid sales have been lost to alternative fuel sources, though colder weather than last year likely cushioned the decline somewhat.

Electricity generation rose an estimated 7% in February over year-earlier levels. The increase, mainly the result of abnormally cold weather early in the month, is likely to have minimized the decline in the utilities' use of resid somewhat, perhaps holding it to below 100 MBD. During previous periods of abnormally-high generation, utilities have used resid as a readily-available incremental energy input.

Eleven months of 1984 data for energy input at electric utilities show that petroleum continued to lose volume and market share compared with the corresponding 1983 period. Petroleum volume dropped more than 12% to about 570 MBD despite a 5% higher total energy input, while both coal and natural gas input rose more than 7%. As a result, both coal and natural gas gained market share while petroleum input fell to 5%. Over the past decade, petroleum input for electricity generation has fallen by about two-thirds and its market share has eroded to roughly the same degree.

Residual fuel oil prices weakened somewhat towards month end on reports of a possible early end to the U.K. coal strike. For the month on average, however, prices were still relatively strong; worldwide demand remained high because of abnormally cold weather in Europe, and extra demand related to the then-still-ongoing U.K. strike was still in evidence. Natural gas prices, on the other hand, have recently tended to drift downward.

These pricing trends also appear to be motivating industrial customers who, with increasing dual-fuel capability, can quickly take advantage of any changes in energy prices and are estimated to have accounted for the remainder of the February decline.

Kerosine Jet Fuel

UP 12% OVER LAST FEBRUARY'S LEVEL.

The level of kerosine jet fuel rose 105 MBD (11.5%) over last February's. This large advance follows an increase of only 3% last month. With "miles flown" increasing recently at a roughly 9-10% rate, the large difference between the January and February increases is likely to be in large measure due to inventory management. In addition, in February of last year, deliveries dropped substantially from high January levels inflated in part by reported diversions of kerosine jet fuel to distillate use.

Other Oils

UP 1% OVER LAST FEBRUARY'S LEVEL.

"Other oils" were supplied at a 43 MBD (1.1%) higher rate than in February of 1984. Year-to-year increases in deliveries of "other oils" have grown smaller - or disappeared entirely - in recent months as the pace of recovery of chemical activity slowed and imports increased.

Asphalt and road oil deliveries increased about 40% over year-earlier levels in December (latest available data) and were some 8% ahead for the year as a whole. These increases were largely the result of higher outlays for state and local highway construction and repair. Release of funds for interstate contruction to the states has only recently received congressional approval.

Liquefied petroleum gases have also been on an uptrend, rising some 70 MBD in 1984 over 1983 levels, largely as a result of higher ethane sales which we estimate rose some 50 MBD, or about 8%, in 1984 over the prior-year level. Deliveries of petrochemical feedstocks in 1984, on the other hand, declined some 50 MBD, or about 15%, from 1983 levels.

(In millions of B/D)	**FEBRUARY ESTIMATES**			**YEAR-TO-DATE ESTIMATES**		
	1985	**1984**	**% Change**	**1985**	**1984**	**% Change**
—Total domestic products supplied	16.0	15.4	4.2	16.1	16.1	0.3
—Motor gasoline supplied	6.4	6.2	2.0	6.4	6.3	1.9
—Distillate fuel oil supplied	3.3	2.8	17.8	3.4	3.2	5.7
—Residual fuel oil supplied	1.4	1.6	(12.7)	1.5	1.8	(19.0)

PETROLEUM SUPPLY[1/]

Total supply fell 1,694 MBD compared with year-earlier levels, essentially as a result of falling imports.

Production

ROSE MINIMALLY IN FEBRUARY. Crude oil production rose 24 MBD (0.3%) over daily levels last February. Normal movement through the Alaskan pipeline, adversely affected by operational problems in January, was restored. Alaskan production, in fact, posted a new high, resulting in a year-to-year increase of about 170 MBD. Production in the lower 48, affected by cold weather and subsequent flood conditions, fell about 145 MBD.

Natural gas liquids production rose almost 5%, following increases in natural gas production.

Imports

FELL 31%. Imports fell 1,745 MBD (31.4%) in February as a result of continuing uncertainty as to the course of crude oil prices. Crude oil imports fell by about 700 MBD, close to 25%. Product imports also showed a sharp decline from the unusually high import levels of last February when the combined imports of distillates and residual fuel oil, in the wake of the December 1983/January 1984 cold spell, averaged almost 1.6 million barrels per day, about twice this year's level.

Gasoline imports (including gasoline components) are estimated to have been some 100 MBD above year-earlier levels. The exact volume of gasoline component imports continues to be difficult to determine because of product classification problems, and their published size may well be understated.

Prime sources of imports did not change. Mexico continued to be the leading supplier in both 1983 and 1984, though, for the first time since May, it lost the No. 1 spot to Canada for the month of December. Identical successive annual rankings were held in both 1983 and 1984 by Canada, Venezuela, the United Kingdom, and Indonesia.

Inventories

LARGER-THAN-NORMAL DRAW-DOWNS. Inventory drawdowns in February were more than double the recent-year average. Crude oil stocks, normally staying at roughly the same level in February as in January, dropped some 9 million barrels because of continued reluctance on the part of buyers to hold inventories during periods of volatile prices. Gasoline inventories fell counterseasonally and, at 36 days' of supply, are somewhat below normal levels. Distillate stocks declined almost 19 million barrels in February, minimally above the average drop of past years. Colder weather forced distributors to replenish secondary inventories that had been allowed to fall significantly in January.

Operations

UTILIZATION IN MID-70% RANGE. A drop in input to distillation units 100 MBD greater than the decline in operable capacity levels contributed to a more than one percentage - point drop in the utilization rate versus last February's. However, if only estimated capacity in actual current operation of slightly more than 14 million barrels per day is considered, the utilization rate rises into the low eighties.

Exploration

RIG ACTIVITY DECLINED ABOUT 10%. The count of active rigs was about 10% below last February's level. The count of wells actually drilled in January and reported in the same month, the first using the new approach to well activity reporting, has been completed. It shows a roughly one-third drop when compared with last January's level. However, a one-month comparison of such data is difficult to assess. February data are not yet available.

(In millions of B/D)	FEBRUARY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	15.3	17.0	(9.9)	15.4	16.7	(7.8)
—Crude production[2/]	8.9	8.9	0.3	8.8	8.8	(0.2)
—Crude oil imports[3/4/]	2.2	2.9	(24.7)	2.4	2.8	(16.8)
—Product imports	1.7	2.7	(38.5)	1.7	2.5	(32.5)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 460 million barrels as of Februrary 28, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	FEBRUARY			YEAR-TO-DATE		
	1985[1]	**1984[2]**	% Change	**1985[3R]**	**1984[2]**	% Change
Products Supplied:						
Total motor gasoline	6,360	6,237	2.0	6,371	6,253	1.9
Finished leaded motor gasoline*	2,434	2,652	(8.2)	2,401	2,657	(9.6)
Finished unleaded motor gasoline*	3,926	3,585	9.5	3,970	3,596	10.4
Naphtha-jet	215	200	7.5	218	195	11.8
Kerosine-jet	1,020	915	11.5	1,027	961	6.9
Distillate fuel oil	3,348	2,842	17.8	3,358	3,177	5.7
Residual fuel oil	1,399	1,602	(12.7)	1,456	1,798	(19.0)
All other oils[4]	3,835	3,792	1.1	3,871	3,903	(0.8)
Reclassified[5]	- 147	- 199	(26.1)	- 177	- 206	(14.1)
Total domestic products supplied	16,030	15,389	4.2	16,124	16,081	0.3
Exports	813	582	39.7	756	578	30.8
Total products supplied	16,843	15,971	5.5	16,880	16,659	1.3
Supply:						
Domestic production:						
Crude oil[6]	8,911	8,887	0.3	8,820	8,840	(0.2)
Natural gas liquids	1,705	1,629	4.7	1,683	1,607	4.7
Other supply[7]	919	968	(5.1)	833	900	(7.4)
Total domestic supply	11,535	11,484	0.4	11,336	11,347	(0.1)
Imports:						
Crude oil, total	2,160 10/	2,868 10/	(24.7)	2,370 10/	2,848 10/	(16.8)
Canadian	291	297	(2.0)	249	295	(15.6)
Other	1,869	2,571	(27.3)	2,121	2,553	(16.9)
Products, total	1,654	2,691	(38.5)	1,687	2,498	(32.5)
Residual fuel oil	561	1,107	(49.3)	556	1,083	(48.7)
Other	1,093	1,584	(31.0)	1,131	1,415	(20.1)
Total imports	3,814	5,559	(31.4)	4,057	5,346	(24.1)
Total supply	15,349	17,043	(9.9)	15,393	16,693	(7.8)
Stock change, all oils	-1,494	+1,072	XXXX	-1,487	+ 34	XXXX
Refinery Operations						
Input to crude oil distillation units	11,651	12,276	(5.1)	11,664	12,030	(3.0)
Operable capacity	15,621	16,139	(3.2)	15,703	16,168	(2.9)
Refinery utilization (%)[8]	74.6%	76.1%	(2.0)	74.3%	74.4%	(0.1)
Crude oil runs	11,499	12,100	(5.0)	11,514	11,831	(2.7)

Stocks (millions bbls.)	**1985**		**1984[2]**	% Change from . . .	
	Feb. 28[9]	Jan. 31[9]	Feb. 29	Previous Month	Year Ago
Crude oil 10/	319.4	328.8	340.2	(2.9)	(6.1)
Unfinished oils	98.4	99.0r/	109.6	(0.6)	(10.2)
Total motor gasoline**	226.8	233.1r/	237.2	(2.7)	(4.4)
Finished leaded motor gasoline*	83.4	87.9r/	96.5	(5.1)	(13.6)
Finished unleaded motor gasoline*	107.4	108.6r/	100.2	(1.1)	7.2
Naphtha-jet	6.0	6.5	6.1	(7.7)	(1.6)
Kerosine-jet	34.8	35.7	32.9	(2.5)	5.8
Distillate fuel oil	123.3	141.8r/	132.2	(13.0)	(6.7)
Residual fuel oil	47.1	47.6	57.6	(1.1)	(18.2)
All other oils	161.0	166.1r/	160.9	(3.1)	0.1
Total all oils	1,016.8	1,058.6r/	1,076.7	(3.9)	(5.6)

1/ Based on API estimated data converted to a monthly basis.

2/ Source: U.S. Department of Energy.

3/ Source: API

4/ Includes crude losses.

5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.

6/ Includes lease condensate.

7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.

8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."

9/ Derived by interpolating API weekly stocks data.

10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.

R/ Revised.

* Included in motor gasoline.

** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department
Vol. 9, No. 3

APRIL 17, 1985
MARCH 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The level of petroleum products supplied fell about 110 MBD (0.7%) in March, and for the quarter as a whole declined minimally — (21 MBD, 0.1%) — compared with the corresponding 1984 quarter. The recent slowdown in deliveries of petroleum products reflects the path of the economy as a whole, with indicators showing a dampening of the high levels of economic activity that prevailed during the early part of 1984.

The small net decrease in deliveries in the first quarter of 1985 reflected higher demand for gasoline, distillates, and jet fuels and a substantial decrease in residual fuel oil deliveries that more than offset these light product increases. Despite the sharp contrast in weather conditions in the first quarter — the first part of the quarter about 15% colder and the second half roughly 20 % warmer than last year — the weather impact on total first quarter deliveries, especially as far as distillates were concerned, was practically nil.

Restocking at non-primary levels in the first quarter was at somewhat higher levels than last year. It is estimated, that, save for this difference in non-primary inventory behavior, total petroleum deliveries would have fallen even further below first quarter 1984 levels. Exhibit I details monthly deseasonalized delivery levels for total petroleum products, gasoline, distillates, and residual fuel oil since the beginning of 1983.

Crude oil production continued to rise. March's unusually high increase, almost 390 MBD (4.5%), is the result of an interruption in Alaskan pipeline flow in March of 1984 and significantly higher production at Kuparuk this year. The high March 1985 increase, in turn, was one of the major reasons for the roughly 2.1% quarterly rise. Imports, generally lower in recent months, fell almost 13% in March. Inventories fell nearly 22 million barrels in March, some two-thirds higher than the historical average for this time of year.

PRODUCTS SUPPLIED[1/]

Gasoline

UP NEARLY 2% FOR THE QUARTER.

Higher real disposable personal income and pump postings still lower than last year, despite an almost 4¢ rise in gasoline prices in March, continue to support higher gasoline demand. Deliveries rose 2.1% in March and a slightly lesser 1.8% in the first quarter, when compared with corresponding 1984 periods.

Gasoline prices in March, on an inflation-adjusted basis, were about 7% (8¢) below last year and almost one-third below highs reached in March of 1981. Real disposable income, though showing progressively lower quarter-to-quarter increases during each consecutive quarter in 1984, has risen at a rate of almost 5% during the past year (Jan. '84 - Jan. '85) and, combined with lower gasoline prices, might have added almost 5% to gasoline demand. We estimate, however, that approximately two-thirds of this was offset by improvements in automobile miles per gallon, resulting in the close-to-2% increase in deliveries actually experienced during the first quarter.

The market share of unleaded gasoline was nearly 64% in March, ahead more than six percentage points over last year's level. While year-to-year increases in car sales, at slightly over 2% for the quarter as a whole but less than 1% for March, are only a fraction of last year's more than 25% year-to-year increase in the first quarter, they continue to add gradually to the fleet's requirements of unleaded gasoline.

Distillates

UP MORE THAN 3% OVER 1984's FIRST QUARTER.

Deliveries of distillates fell 127 MBD (3.9%) below last March's levels but for the first quarter were some 107 MBD (3.3%) ahead of last year's level.

The reduction in March delivery levels was caused by weather some 22% warmer than last year and lower rail and truck traffic levels; higher inventory replenishments at secondary storage levels provided a partial offset.

For the quarter as a whole the impact of colder temperatures than last year during the January through mid-February period was effectively nullified by warmer weather in the rest of the quarter. Substantial restocking since late February at non-primary levels, where inventories had been sharply depleted by the cold weather early in the quarter, however, is estimated to have added some 130 MBD to quarterly delivery levels. The overall increase was pared to slightly more than 100 MBD, because of declining diesel sales. Rail and truck traffic were both below the strong levels of the first quarter of 1984.

Residual Fuel Oil

DECREASED ALMOST 19% VERSUS 1984's FIRST QUARTER.

Residual fuel oil deliveries continued to decline. March showed a 270 MBD (16.5%) year-to-year decrease, and the first quarter a 323 MBD (18.5%) decline. A lower level of tanker movements contributed to a decline of 10-20 MBD in bunker fuel demand. With milder weather than last March a contributor, electric utilities are estimated to have shown a more-than-150 MBD year-to-year loss in resid use during the quarter. Industrial sector consumption declined an estimated 100 MBD. With settlement of the U.K. coal strike in early March, prices for residual fuel oil fell worldwide, though decreases were more marked in European than in domestic markets. While there was some impact of lower resid prices on domestic markets, it is too early to tell to just what degree this price weakness has slowed resid's continuing losses to other fuel sources such as natural gas. Natural gas prices had been relatively stable but have in recent months trended slightly lower.

With prices for imported natural gas declining and the growing influence of spot market pricing, natural gas pricing has been posing a strong competitive challenge in all residual fuel oil marketing sectors. The continuing switch to dual-fuel capability boiler installations has played a major role in this price competition by permitting users to take prompt advantage of changing price patterns.

Petroleum buying by utilities for the generation of electricity has trailed prior-year levels for every month since March of 1984. In January 1985 (the latest data available), despite the highest level of January electricity generation in recent history, partly related to harsh winter weather, oil purchased by electric utilities fell approximately 275 MBD. Year-to-year decreases are estimated to have also occurred later in the quarter, though eventual price decreases in residual fuel oil markets likely reduced their size. For the first quarter as a whole, we estimate that lower electric utility purchases contributed more than 150 MBD to the overall decline. Deliveries to industrial customers, adversely affected by the diminishing robustness of the economy and continued switching to alternate fuel sources, are estimated to have suffered a roughly 100 MBD shortfall.

Kerosine Jet Fuel

ROSE MORE THAN 6% IN THE FIRST QUARTER.

Deliveries of kerosine jet fuel rose almost 10% in March and were about 6% ahead of last year for the first quarter as a whole. Increases in "miles flown" had been about 10% in late 1984. There is evidence of continued high levels of airline traffic in early 1985, partly because of a plethora of discount fares, though strike action at one major airline reduced the year-to-year increase somewhat in March.

Month-to-month variations in the levels of kerosine jet fuel supplied are due, at least in part, to inventory management practices by airport operating companies. The overall more-than-6% increase in kerosine jet fuel deliveries for the quarter, however, appears in line with "miles flown" levels, considering continued infusion of new, fuel-saving aircraft into the fleet and other efficiency efforts.

Other Oils

ALMOST EVEN WITH LEVELS OF 1984's FIRST QUARTER.

Other oils were supplied at an estimated 42 MBD (1.1%) higher rate this March than last year. For the first quarter, levels supplied were minimally lower. This performance is in line with recent slower activity levels in the chemical industry, one of the major customer sectors. The chemical industry's performance was especially strong early in 1984, but year-to-year increases gradually vanished late in the year. Continued high imports of major chemicals contributed to lowered production needs.

Propane deliveries had been below year-earlier levels in the fourth quarter of 1984 but ethane demand was slightly higher. We estimate that, for the first quarter of 1985, these two products, which generally represent about 90% of the liquid petroleum gases component of "other oils", experienced declines of 7% and 4% for propane and ethane, respectively.

Asphalt and road oil deliveries were up about 20% over year-earlier levels in the December 1984/January 1985 period (lastest available data), principally as a result of higher local and state outlays; they are likely to have remained relatively strong for the first quarter as a whole. These products, however, have not yet benefited from the recently-approved allocation of federal funds to the states.

(In millions of B/D)	MARCH ESTIMATES 1985	MARCH ESTIMATES 1984	MARCH ESTIMATES % Change	YEAR-TO-DATE ESTIMATES 1985	YEAR-TO-DATE ESTIMATES 1984	YEAR-TO-DATE ESTIMATES % Change
—Total domestic products supplied	15.9	16.0	(0.7)	16.0	16.1	(0.1)
—Motor gasoline supplied	6.6	6.5	2.1	6.5	6.3	1.8
—Distillate fuel oil supplied	3.1	3.3	(3.9)	3.3	3.2	3.3
—Residual fuel oil supplied	1.4	1.6	(16.5)	1.4	1.7	(18.5)

PETROLEUM SUPPLY[1/]

Total supply was 902 MBD lower in the first quarter than in the corresponding 1984 period, the net result of a 1,105 MBD decrease in import levels and 203 MBD increase in total domestic supply.

Production

UP MORE THAN 2% OVER 1984's FIRST QUARTER.

Domestic crude oil production rose 4.5% (388 MBD) in March over year-earlier levels, as both Alaskan and lower 48 output increased. The estimated production increase in Alaska approached 300 MBD as a result of a substantial increase in Kuparuk production and the March 1984 interruption in pipeline flow; lower 48 output increases accounted for the remainder.

For the quarter as a whole, total U.S. production increased 185 MBD (2.1%), based on preliminary estimates for January and February published by the Department of Energy and API's March production estimate. There is reason to believe, however, that final DOE January data may be revised downward by about 150 MBD to reflect an interruption in trans-Alaska pipeline movements in January of this year.

Natural gas liquid production rose more than 4% during the quarter, roughly paralleling increases in natural gas production.

Imports

DECREASED 1.1 MMBD IN 1985's FIRST QUARTER.

Largely because of continuing price uncertainty in world oil markets, imports fell about 1.1 million barrels per day in the first quarter compared with corresponding 1984 first-quarter levels. Crude oil and product import levels showed similar volumetric decreases (see Exhibit II). About three quarters of the product imports decline resulted from lower residual fuel oil imports and a roughly 70 MBD - 25% reduction in distillate imports. Gasoline imports (including gasoline blending components), on the other hand, are estimated to have risen about 14% to a roughly 400 MBD level. There continued to be some concern moreover as to the possible underestimation of gasoline import figures because of product classification problems.

The table below shows a comparison of petroleum imports from leading countries for January 1985, the latest month available, and the year-earlier month.

U.S. Oil Imports - Leading Countries
(MBD)

January 1985 Rank	January 1985	January 1984	Jan.85-Jan.84 Difference
1. Mexico	765	705	+60
2. Canada	610	624	-14
3. Venezuela	481	547	-66
4. United Kingdom	345	382	-37
5. Indonesia	274	278	-4
6. Nigeria	262	243	+19
7. Virgin Islands	235	390	-155
8. Netherlands Antilles	125	277	-152
9. Trinidad-Tobago	113	54	+59
10. Saudi Arabia	106	463	-357
11. Algeria	95	242	-147

Mexico continued to be the largest supplier of oil imports into the U.S. in January of 1985. Saudi Arabia, in fourth place in January 1984, held the No. 10 position this year.

Net imports dependency decreased about 8 percentage points to roughly 21% in the first quarter compared with last year's level. However, this decrease is essentially the result of continuing market uncertainty.

Inventories

DOWN SOMEWHAT MORE THAN NORMAL. Total inventories fell 22 million barrels in March, a larger decrease than March's historical rate of decline. But the overall rate of drawdown lessened markedly as the month progressed. Motor gasoline inventories ended March about 7 million barrels below February levels, a decline about average for this time of year; the current level of about 33 days of supply, however, is somewhat below historical levels. Distillate stocks declined some 24 million barrels, as filling of secondary inventories continued at a strong pace.

Crude oil inventories rose 14 million barrels in March as production of products fell somewhat from prior-months levels, in part because of refinery turnarounds. Current stocks of about 335 million barrels are at almost the same level as last year; additional refining capacity is readily available to add to product inventories if demand so requires.

Operations

UTILIZATION DOWN SLIGHTLY. Operable capacity declined some 500 MBD in March from year-earlier levels, but input to distillation units fell slightly more. As a result, refinery utilization fell one percentage point compared with last March's level.

SUPPLY[1]

(In millions of B/D)	MARCH ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.1	16.1	-	15.6	16.5	(5.5)
—Crude production[2]	9.0	8.6	4.5	8.9	8.8	2.1
—Crude oil imports[3][4]	2.7	3.3	(19.3)	2.4	3.0	(18.6)
—Product imports	1.8	1.8	(0.4)	1.7	2.3	(24.2)

[1] Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

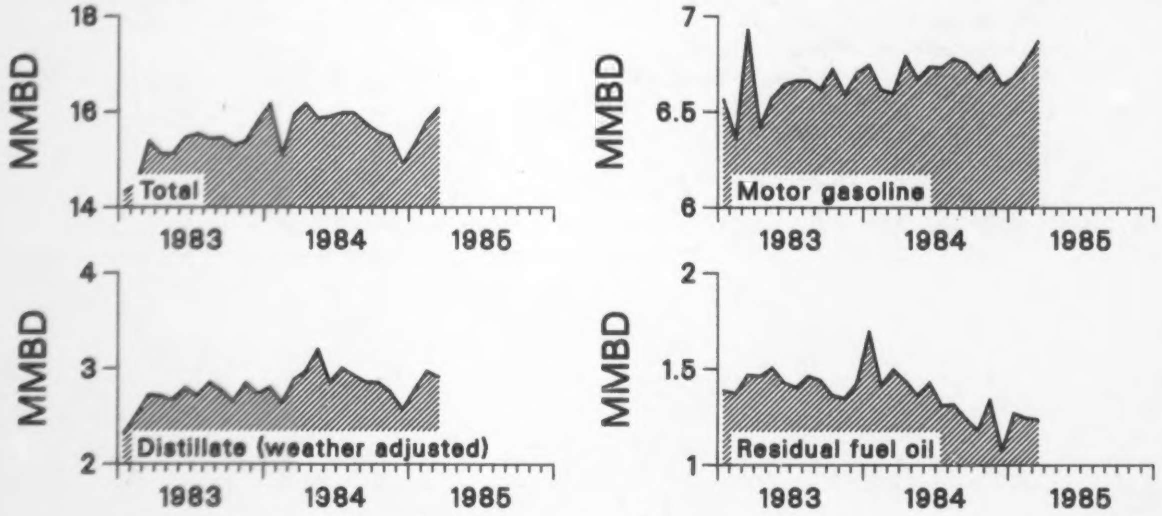
[2] Includes lease condensate.

[3] Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

[4] API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 462 million barrels as of March 31, 1985).

EXHIBIT I

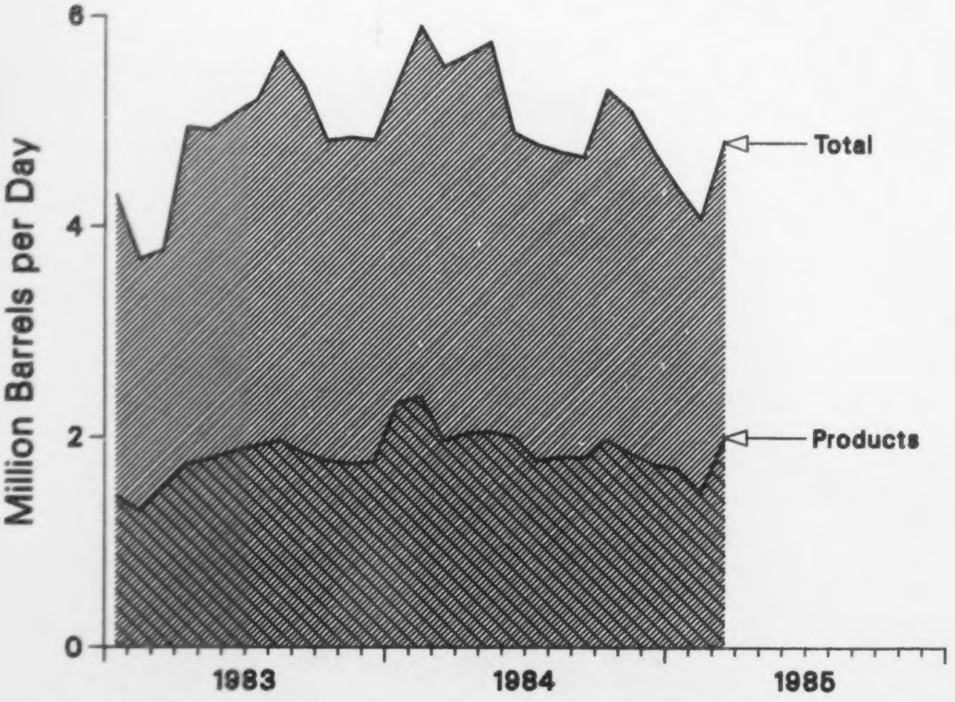
SEASONALLY ADJUSTED PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT II

PETROLEUM IMPORTS



Sources: Department of Energy, American Petroleum Institute

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average In Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	MARCH			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,649	6,512	2.1	6,457	6,341	1.8
Finished leaded motor gasoline*	2,416	2,765	(12.6)	2,383	2,694	(11.5)
Finished unleaded motor gasoline*	4,233	3,747	13.0	4,074	3,647	11.7
Naphtha-jet	219	205	6.8	218	198	10.1
Kerosine-jet	981	894	9.7	997	938	6.3
Distillate fuel oil	3,129	3,256	(3.9)	3,311	3,204	3.3
Residual fuel oil	1,367	1,637	(16.5)	1,420	1,743	(18.5)
All other oils[4]	3,767	3,725	1.1	3,835	3,843	(0.2)
Reclassified[5]	- 203	- 210	(3.3)	- 199	- 207	(3.9)
Total domestic products supplied	15,909	16,019	(0.7)	16,039	16,060	(0.1)
Exports	878	840	4.5	828	668	24.0
Total products supplied	16,787	16,859	(0.4)	16,867	16,728	0.8
Supply:						
Domestic production:						
Crude oil[6]	8,968	8,580	4.5	8,937	8,752	2.1
Natural gas liquids	1,654	1,588	4.2	1,666	1,600	4.1
Other supply[7]	991	798	24.2	817	865	(5.5)
Total domestic supply	11,613	10,966	5.9	11,420	11,217	1.8
Imports:						
Crude oil, total	2,670 10/	3,307 10/	(19.3)	2,445 10/	3,004 10/	(18.6)
Canadian	363	389	(6.7)	333	327	1.8
Other	2,307	2,918	(20.9)	2,112	2,677	(21.1)
Products, total	1,791	1,798	(0.4)	1,714	2,260	(24.2)
Residual fuel oil	568	633	(10.3)	575	930	(38.2)
Other	1,223	1,165	5.0	1,139	1,330	(14.4)
Total imports	4,461	5,105	(12.6)	4,159	5,264	(21.0)
Total supply	16,074	16,071	-	15,579	16,481	(5.5)
Stock change, all oils	- 713	- 788	XXXX	-1,288	- 247	XXXX
Refinery Operations						
Input to crude oil distillation units	11,546	12,088	(4.5)	11,593	12,049	(3.8)
Operable capacity	15,611	16,113	(3.1)	15,553	16,150	(3.7)
Refinery utilization (%)[8]	74.0%	75.0%	(1.3)	74.5%	74.6%	(0.1)
Crude oil runs	11,384	11,936	(4.6)	11,444	11,867	(3.6)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	Mar. 31[9]	Feb. 28[9]	Mar. 31	Previous Month	Year Ago
Crude oil 10/	334.6	320.2r/	335.7	4.5	(0.3)
Unfinished oils	107.1	98.4	115.7	8.8	(7.4)
Total motor gasoline**	220.4	227.3r/	243.3	(3.0)	(9.4)
Finished leaded motor gasoline*	82.4	83.5r/	98.5	(1.3)	(16.3)
Finished unleaded motor gasoline*	102.6	107.1r/	104.3	(4.2)	(1.6)
Naphtha-jet	6.5	6.0	6.7	8.3	(3.0)
Kerosine-jet	34.7	34.8	33.9	(0.3)	2.4
Distillate fuel oil	99.7	123.4r/	109.6	(19.2)	(9.0)
Residual fuel oil	44.9	47.1	47.6	(4.7)	(5.7)
All other oils	140.7	153.5r/	159.7	(8.3)	(11.9)
Total all oils	988.6	1,010.7r/	1,052.2	(2.2)	(6.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January, U.S. Department of Energy, February-March , API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department **Vol. 9, No. 4**

MAY 15, 1985 **APRIL 1985**

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

During April, the level of petroleum products supplied fell 285 MBD (1.8%) from prior-year levels. The increase in gasoline deliveries was overshadowed by a roughly 340 MBD drop in residual fuel oil demand and a partly weather-related drop in distillate deliveries. Overall, the recent slowdown in demand parallels developments in economic activity.

Crude oil production was slightly ahead of year-ago levels in spite of a one-day shutdown of trans-Alaskan pipeline flow. Imports were below prior-year levels in April despite some lessening of price volatility in world markets. Inventories, as is normal for April, were little changed from March levels.

PRODUCTS SUPPLIED[1/]

Gasoline

UP MORE THAN 2½% OVER LAST YEAR.

Gasoline deliveries rose 176 MBD (2.6%). Recent data indicate that about 85 MBD of this increase was attributable to blenders not heretofore included in the reporting universe, accounting for roughly one-half of the year-to-year increase. As in previous months, increased real disposable income and lower gasoline prices, still below last year's level despite April increases, were the major cause for the remainder of the increase.

Pump prices rose about 4½¢ a gallon in April but, on average, were still about 2¢ below last year's level (or roughly 6¢ lower when adjusted for inflation). Real disposable income rose close to 3% during the February 1984/February 1985 period.

The market share of unleaded gasoline, at about 63%, is close to five percentage points above year-ago levels. It has remained in a narrow, low-60's range for the past several months.

Both the infusion of new cars and the scrapping of old cars, most of which in the past had been using leaded gasoline in less fuel-efficient engines, affect the rate of change in unleaded's market share.

Distillates

ALMOST 6% LOWER THAN LAST YEAR.

Last month's weather was about 20% warmer than normal and 26% warmer than last year. This large deviation, though having a lesser effect late in the heating season, still depressed heating oil sales, accounting for more than half the 168 MBD (5.7%) year-to-year decline in distillate deliveries. The remainder of the decrease is attributable mainly to lower demand in the trucking and railroad sectors of the distillate market. Truck and rail traffic are both estimated to have been some 2%-3% below last year.

Residual Fuel Oil

DOWN 25% COMPARED WITH LAST YEAR.

Residual fuel deliveries reached a recent-year April low last month. Continued declines in deliveries to electric utilities and industrial customers accounted for the 343 MBD (25.3%) year-to-year deliveries decrease. Deliveries to electric utilities fell an estimated 200-250 MBD in April. During April, the year-to-year increase in electricity generation, partly because of warmer-than-normal weather, was held to about 2%. Alternate fuels are estimated to have supplied a larger share of electric utility needs in April, decreasing the residual fuel share to roughly 3%.

Even during January, when generation was extremely high, residual fuel oil supplied to electric utilities had dropped almost 300 MBD and February deliveries were some 200 MBD below last year, the 12th consecutive month of year-to-year decreases. These decreases are in line with the long-term trend that has seen petroleum's share of input for electricity generation deteriorate from 13.6% in 1979 to 1984's 4.9%.

While coal has experienced an uninterrupted advance and has dominated input at electric utility plants, competition between natural gas and residual fuel oil has intensified during the past couple of years.

Residual fuel oil prices, relatively strong until the end of the U.K. coal strike early in March, have since deteriorated, posting a roughly $2/bbl. decrease in April from prior-month prices to a level about $3/bbl. below last April. Overall, these price moves should have favored resid sales, but estimated April delivery levels surprisingly do not reflect this advantage. Sales to industrial customers are estimated to have fallen more than 100 MBD in April.

Previously relatively stable natural gas prices also weakened somewhat in recent months, in good part because of competition from lower-priced imports and special gas marketing programs by major gas distributors. The effect is especially pronounced in industrial markets, where dual-fuel-use boilers, installed originally in many instances as a backup in case of supply interruptions, are proliferating. This capability provides users with the increased opportunity to take prompt advantage of changes in the relative prices of natural gas and residual fuel oil and enhances their negotiating strength.

Kerosine Jet Fuel

ONLY SLIGHTLY AHEAD OF LAST APRIL.

Kerosine jet fuel deliveries rose only 1.4% in April compared with year-earlier levels. For the first four months, the year-to-year increase is about 2.8%. The year-to-year increase in miles flown approximated 6%-7% during the first two months; warmer weather and a spate of incentive fares may well have increased those rates in March and April. Increased efficiency of the fleet explains a portion of the difference in the rates of increase of jet fuel deliveries and miles flown. The remaining gap, however, is difficult to understand. Absent a substantial shift in the inventory practices of airport operating companies, deliveries over several months should reflect the general trend.

Other Oils

UP LESS THAN 1% OVER LAST APRIL'S LEVEL.

Other oils were supplied at an 0.6% higher rate in April than last year. Sales to chemical companies appear to have suffered in recent months as that industry appeared only gradually to recover from the late 1984 slump. Because of extremely strong chemical company sales during the early part of 1984, first quarter 1985 results reportedly are somewhat below year-earlier levels. The recent-months recovery in operating rates reflects, in part, the wind-down of petrochemical inventory liquidations.

Reflecting the chemical industry's slowed activity compared with early 1984 levels, daily average deliveries of petrochemical feedstocks fell about 16% during the January/February 1985 period (latest current year data available) compared with those in the corresponding 1984 period and are believed to have fallen at an even greater rate in April.

Sales of liquefied petroleum gases rose during the January/February period. This was at least partly the result of weather-related higher propane sales; propane sales for April, too, are believed to have exceeded last year's. Ethane deliveries, while lower in January and February, are also estimated to be ahead of last year in April.

The daily average of asphalt and road oil deliveries during January/February 1985 was about the same as during the same period last year, and no large increases are estimated to have occurred since. Infusion of state and local funds has been sustaining sales, as substantial federal funds have only recently been allocated to the states.

(In millions of B/D)	APRIL ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	15.2	15.5	(1.8)	15.8	15.9	(0.7)
—Motor gasoline supplied	6.9	6.7	2.6	6.6	6.4	2.6
—Distillate fuel oil supplied	2.8	2.9	(5.7)	3.2	3.1	0.9
—Residual fuel oil supplied	1.0	1.4	(25.3)	1.3	1.6	(20.9)

PETROLEUM SUPPLY[1/]

Total supply fell 582 MBD from year-ago levels, all but 5% the result of a 548 MBD imports decline.

Production

MINIMALLY ABOVE LAST APRIL.

Crude oil production rose 25 MBD (0.3%) in April compared with last year's level. Kuparuk output is estimated to have risen some 100 MBD, but overall North Slope output was adversely affected by a roughly-one-day shutdown of the Alaskan pipeline which reduced average flow for the month by about 80 MBD. Lower 48 output rose slightly. Recent year-to-year increases in lower 48 production have raised production levels to a point some 1.7 million barrels per day above those that likely would have prevailed, had the deterioration in production during the seventies continued.

Imports

DOWN ABOUT 11% FROM APRIL 1984 LEVELS.

Total petroleum imports fell 548 MBD (10.6%) from prior-year levels. During the first quarter, the more than 1 MMBD decline in imports was roughly matched by higher inventory withdrawals than last year. While it is surprising that imports did not recover to a greater degree in April in view of market firming late in the first quarter, some continued price volatility may have been the cause.

Almost two-thirds of the total decline is the result of lower product imports, which was almost entirely the result of a 322 MBD (50.5%) drop in residual fuel oil imports; the current level of resid imports is the lowest in thirty years.

The end of the U.K. coal strike is believed to have cut crude runs in European refineries, resulting, in the process, in somewhat lower gasoline production and world market export availability. Imports of gasoline (including gasoline components) to the U.S., however, rose almost 15% to more than 400 MBD in April compared with last year's levels. In addition, difficulties surrounding product classifications have still not been resolved, and, as a result, gasoline imports may well be understated.

Canada was the largest source of petroleum imports into the U.S. in February followed by Mexico and Venezuela. About 31% of all imports came from OPEC countries, the same proportion as in the prior month but about two percentage points less than last February.

Inventories

ABOUT EQUAL TO LAST MONTH'S LEVEL.

Total petroleum inventories, which have exhibited wide swings in April over the past decade, stayed at about the same level as in March. While lower than last year, they are in total still some 100 million barrels above estimated minimum operating levels.

Crude oil inventories rose about 12 million barrels in April, returning almost to the midpoint of the 340-360 million barrel range in which they had been moving during the past three years.

Gasoline inventories (consisting of finished leaded and unleaded gasoline plus unfinished components held at refineries) are about 34 million barrels below last year. In 1984, the need to replenish distillate inventories depleted by cold winter weather also resulted in higher gasoline production and a considerable late-winter/early-spring build-up in gasoline inventories.

Distillate inventories are close to last year's level. Distillate production and imports were both higher in April than last year.

Operations

UTILIZATION UP 1½ PERCENTAGE POINTS.

The 600 MBD drop in operable capacity was about three times as great as the decline in input to distillation units, raising the utilization rate by 1.5 points. With crude inventories substantial, there is ample room to increase production from the roughly 2.4 million barrels of remaining capacity in actual operation. Some 1.3 million barrels of additional capacity is currently classified as idle, some portion of which could be returned to service and utilized to increase production, should demand levels so require.

(In millions of B/D)	**APRIL ESTIMATES**			**YEAR-TO-DATE ESTIMATES**		
	1985	**1984**	**% Change**	**1985**	**1984**	**% Change**
—Total supply	16.1	16.7	(3.5)	15.7	16.5	(5.2)
—Crude production[2/]	8.9	8.9	0.3	8.9	8.8	1.7
—Crude oil imports[3/4/]	3.0	3.2	(6.2)	2.6	3.1	(16.3)
—Product imports	1.6	1.9	(18.2)	1.7	2.2	(21.6)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 465 million barrels as of April 30, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	APRIL			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,857	6,681	2.6	6,590	6,426	2.6
Finished leaded motor gasoline*	2,564	2,827	(9.3)	2,439	2,727	(10.6)
Finished unleaded motor gasoline*	4,293	3,854	11.4	4,151	3,699	12.2
Naphtha-jet	245	242	1.2	223	209	6.7
Kerosine-jet	921	908	1.4	956	930	2.8
Distillate fuel oil	2,761	2,929	(5.7)	3,163	3,136	0.9
Residual fuel oil	1,014	1,357	(25.3)	1,303	1,647	(20.9)
All other oils[4]	3,558	3,536	0.6	3,752	3,766	(0.4)
Reclassified[5]	- 156	- 168	(7.1)	- 179	- 197	(9.1)
Total domestic products supplied	15,200	15,485	(1.8)	15,808	15,917	(0.7)
Exports	879	655	34.2	851	664	28.2
Total products supplied	16,079	16,140	(0.4)	16,659	16,581	0.5
Supply:						
Domestic production:						
Crude oil[6]	8,907	8,882	0.3	8,933	8,784	1.7
Natural gas liquids	1,641	1,616	1.5	1,642	1,604	2.4
Other supply[7]	932	1,016	(8.3)	822	903	(9.0)
Total domestic supply	11,480	11,514	(0.3)	11,397	11,291	0.9
Imports:						
Crude oil, total	3,045[10]	3,247[10]	(6.2)	2,564[10]	3,064[10]	(16.3)
Canadian	418	429	(2.6)	389	352	10.5
Other	2,627	2,818	(6.8)	2,175	2,712	(19.8)
Products, total	1,556	1,902	(18.2)	1,703	2,171	(21.6)
Residual fuel oil	315	637	(50.5)	522	857	(39.1)
Other	1,241	1,265	(1.9)	1,181	1,314	(10.1)
Total imports	4,601	5,149	(10.6)	4,267	5,235	(18.5)
Total supply	16,081	16,663	(3.5)	15,664	16,526	(5.2)
Stock change, all oils	+ 2	+ 523	XXXX	- 995	- 55	XXXX
Refinery Operations						
Input to crude oil distillation units	11,839	12,059	(1.8)	11,610	12,052	(3.7)
Operable capacity	15,514	16,114	(3.7)	15,533	16,141	(3.8)
Refinery utilization (%)[8]	76.3%	74.8%	2.0	74.7%	74.7%	–
Crude oil runs	11,677	11,893	(1.8)	11,477	11,873	(3.3)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	Apr. 30[9]	Mar. 31[9]	Apr. 30	Previous Month	Year Ago
Crude oil [10]	347.2	334.8r/	347.6	3.7	(0.1)
Unfinished oils	112.5	107.2r/	120.3	4.9	(6.5)
Total motor gasoline**	214.3	220.6r/	248.0	(2.9)	(13.6)
Finished leaded motor gasoline*	78.1	82.4	101.0	(5.2)	(22.7)
Finished unleaded motor gasoline*	102.0	102.5r/	106.4	(0.5)	(4.1)
Naphtha-jet	6.2	6.5	6.7	(4.6)	(7.5)
Kerosine-jet	34.9	34.7	34.0	0.6	2.6
Distillate fuel oil	96.5	99.6r/	97.8	(3.1)	(1.3)
Residual fuel oil	45.7	44.9	47.4	1.8	(3.6)
All other oils	127.9	136.8r/	166.2	(6.5)	(23.0)
Total all oils	985.2	985.1r/	1,068.0	–	(7.8)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-February, U.S. Department of Energy, March-April, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department

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MAY 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The year-to-year decline in deliveries continued in May, largely reflecting the recent dampening of economic activity. The level of total domestic products supplied fell 408 MBD (2.6%) compared with last May's. Of the major products, only gasoline showed an increase, and almost all of that rise was attributable to a change in reporting basis.

Crude production, for the first time in more than a decade, exceeded 9 million barrels a day because of higher Alaskan output. Imports, while still below last May's level, rose about 900 MBD compared with April levels. Inventories rose 25 million barrels, almost twice as much as their normal increase at this time of year.

PRODUCTS SUPPLIED[1/]

Gasoline

UP MORE THAN 1 PERCENT.

May deliveries of gasoline, mainly on the strength of substantial delivery levels in the second half of the month, rose 77 MBD (1.1%) over year-earlier levels. The current-year level includes an estimated 60-70 MBD sold by blenders not part of last year's reporting universe, so that, on a comparable reporting basis, May deliveries were almost equal to last year's level.

Gasoline pump prices rose about 2½¢ from prior-month levels to minimally exceed year-earlier prices; on an inflation-adjusted basis, they still trail May 1984 levels by about 3% and March 1981's high by about 27%. Combined with a 3% increase in real disposable personal income (1st Qtr. 1985 vs. 1st Qtr. 1984), this should have placed current volume levels some 3% above last year's level. Increases in engine efficiency, however, are estimated to have provided an almost complete offset.

Unleaded gasoline's share of the gasoline market, at more than 62%, remained in the low-60's range, a level that has prevailed since late-1984. The current share is some four percentage points above prior-year levels.

Distillates

ABOUT 7½% BELOW YEAR-AGO LEVELS.

Of the 216 MBD (7.6%) decline in distillate deliveries, about half is believed to have been the result of declining rail and highway traffic. The remainder is likely to be linked to buyers' deferral of storage replenishment amidst falling distillate prices and an atmosphere of continuing crude price uncertainties. Rail traffic has been below year-earlier levels since early in the year and is currently some 3% below May 1984 levels. Truck traffic has also declined, falling an estimated 6% below year-earlier figures in April (latest data available) and likely experiencing a similar decrease in May.

During the first five months, temperatures were about 4% warmer than in the corresponding 1984 period, accounting for a portion of the 39 MBD year-to-year decline in distillate deliveries. Deliveries were also affected by a gradual decrease in truck and rail traffic, which declined from prior-year levels as the economic recovery slackened.

Residual Fuel Oil

ALMOST 12% LOWER THAN LAST YEAR.

Despite a substantial decline in residual fuel oil prices, deliveries in May were an estimated 142 MBD (11.7%) below last year's level. For the year to date, residual fuel oil levels are 21% below the corresponding period last year.

During May, residual fuel oil prices continued to decline, falling as much as $6-7 per barrel below early 1985 levels by the end of the month and by an even larger amount when compared with May 1984 levels. As a result, the gap between residual fuel oil prices and natural gas prices shrank considerably. At some market levels, in fact, residual fuel oil prices in some areas were equal to or even below natural gas prices on a fuel-equivalent basis. This occurred despite the fact that natural gas prices also experienced a downward trend in recent months, though their decline has been far less drastic.

Nevertheless, residual fuel oil deliveries have not rebounded. During the first quarter of the year (most recent data available), electric utilities and the industrial sector shared almost equally in the decline. It is believed, however, that May's loss may in good part have been concentrated in the electric utilities sector. Many firms with industrial boilers, often smaller in capacity, have been installing dual-fuel capability, and, as a result, should have been in a good position to take advantage of changes in relative price structures.

Kerosine Jet Fuel

ABOUT 1/2% BELOW MAY 1984 LEVELS. Deliveries of kerosine jet fuel fell minimally from year-ago levels. A strike against United Airlines during the last two weeks of the month is in good part responsible for holding down May delivery levels. Miles flown during the first quarter of 1985 were about 4% above strong year-earlier levels. As the recent trend has been one of waning year-to-year increases, it is likely that strike-affected May experienced only a slight increase in miles flown, if any.

During the first five months of the year, kerosene jet fuel deliveries were only marginally ahead of last year. The comparison of delivery levels for the year to date is affected to a degree by possible diversion to distillate use in January 1984 and the fact that May 1985 deliveries were only about even with last year because of the United strike. It appears, however, that air traffic increases this year have not been as large as last year, despite strong fare incentives, and that efficiency improvements are continuing to have a substantial effect on jet fuel use.

Other Oils

ALMOST 4% BELOW LAST MAY'S LEVEL. The level of other oils supplied in May fell an estimated 139 MBD (3.7%) from May 1984 levels. Chemical company activity continues to trail early 1984's strong pace and imports have been on the rise. During the first quarter, levels of 10 leading chemicals imported rose by more than a third.

First quarter 1985 deliveries of petrochemical feedstocks fell about 90 MBD (21%) compared with the corresponding 1984 period and are estimated to have fallen by more than a third in May.

Liquefied petroleum gases rose a scant 3% over last year's level during the first quarter, mainly because of higher butane and propane sales, the latter mainly the result of colder weather early in the first quarter. May propane sales, more oriented towards chemical applications at this time of year, are estimated to have fallen slightly compared with year-earlier levels. Ethane sales during the first quarter were about 4% below last year's but its demand level is estimated to have turned positive in May.

Asphalt and road oil deliveries were slightly ahead of last year during the first quarter. Whatever increase occurred is essentially the result of larger funds provided by state and local authorities. Allocation of substantial federal funds did not take place until March and is unlikely to have affected May asphalt and road oil deliveries.

(In millions of B/D)	MAY ESTIMATES 1985	MAY ESTIMATES 1984	MAY ESTIMATES % Change	YEAR-TO-DATE ESTIMATES 1985	YEAR-TO-DATE ESTIMATES 1984	YEAR-TO-DATE ESTIMATES % Change
—Total domestic products supplied	15.2	15.6	(2.6)	15.6	15.8	(1.9)
—Motor gasoline supplied	7.0	6.9	1.1	6.7	6.5	2.2
—Distillate fuel oil supplied	2.6	2.8	(7.6)	3.0	3.1	(1.3)
—Residual fuel oil supplied	1.1	1.2	(11.7)	1.2	1.6	(21.0)

PETROLEUM SUPPLY[1/]

Petroleum supply fell 432 MBD in May compared with year-earlier levels. Imports were 163 MBD below last May's and total domestic supply fell 269 MBD.

Production

UP 1% OVER LAST MAY'S LEVEL. Crude oil production rose 90 MBD (1.0%) over May 1984 levels, mainly as a result of roughly 150 MBD higher output in Alaska, where Kuparuk field production was running at double year-earlier levels. Lower 48 production, however, was about 60 MBD below last May's, counter to the generally-upward trend that began in early 1983.

Overall, as attached Exhibit A shows, U.S. crude oil production, from a roughly 8.6 MBD level prevailing in 1982, has steadily risen to the current 9 million barrels per day, a level not reached since early 1974. About half of the increase occurred in the lower 48. The pattern, however, has not been equal in all areas. A substantial increase in production in Louisiana since 1982, some 230 MBD, was partially offset by a 130 MBD decline in Texan production. Substantial increases occurred in other states, mainly California, Oklahoma and Kansas.

This increase in output is in stark contrast to the loss of some 300 MBD per year during most of the seventies. As Exhibit A indicates, production would at this point be some 1.8 million barrels per day lower had the steady erosion of the price-controlled seventies continued.

Imports

DOWN ALMOST 3%.

Total imports fell 163 MBD (2.9%) in May compared with last year's. Though below year-ago levels, May imports showed the smallest year-to-year decrease so far this year.

Crude imports, likely as a result of recurring price volatility following a period of relative market stability in late March/early April, were almost 200 MBD below year-ago levels.

Gasoline imports (including gasoline components) are estimated to have risen about 125 MBD in May to the 550-575 MBD level. While proposals to resolve questions of product classification and tariffs are under consideration, there continued to be difficulties regarding classification of gasoline component imports. As a result, the current level of such imports ultimately affecting the gasoline pool may well be higher than our current estimate of about 120 MBD.

Distillate imports were minimally ahead of year-earlier levels as the heating season ended and inventories rose.

Mexico was the largest source of petroleum imports into the U.S. in March (latest data available), followed by Canada, Venezuela, and Indonesia.

During March—and for the first three months of the year—OPEC countries accounted for about 32% of petroleum imports into the U.S. and non-OPEC countries for 68%. This is a slightly lesser OPEC percentage than last year's more-than-34% share.

Inventories

ROSE TWICE THEIR HISTORICAL SEASONAL INCREASE.

Inventories rose about 25 million barrels from April levels, almost twice the historical seasonal increase. About one-third of the increase occurred in crude oil stocks which, at 355 million barrels, are now in the upper part of the 340-360 million barrel range maintained during the past three years.

Motor gasoline stocks, which over the past decade have on average fallen several million barrels in May, instead experienced a 2 million barrel increase this year. Production rose more than 200 MBD above April levels. A buildup early in the month was interrupted by strengthening demand later in the month. Gasoline inventories represented 31 days of supply, about equal to the historical May average. Distillate inventories rose about 8 million barrels in May and are almost 7 million barrels higher than last year's weather-depleted levels.

May's total stock levels were some 69 million barrels lower than last year's, high then in part because of a buildup related to the need to replenish distillate inventories.

Operations

UTILIZATION UP 1 PERCENTAGE POINT.

Attached Exhibit B traces the relationship of operable capacity and input to distillation units since 1981. Input to crude oil distillation units drifted downward until 1983 and then stabilized as demand started to recover. Operable capacity has shown relatively steady erosion, falling from about 18.6 million barrels per day in early 1981 to May's 15.5 million barrel per day level.

A roughly 275 MBD drop in input to crude oil distillation units since last May was overshadowed by an estimated 560 MBD reduction in operable capacity. As a result, refinery utilization rose 1.1 percentage points over last year's rate.

With crude oil inventories at recent-month highs, there is increased capability for refiners to vary product output. More than 2 million barrels of active capacity is not in actual operation. In addition, at least a portion of idle operable capacity of some 1.3 million barrels is rather quickly convertible to active status, providing further product output and production flexibility, if needed.

(In millions of B/D)	MAY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.7	17.1	(2.5)	15.8	16.6	(5.1)
—Crude production 2/	9.0	8.9	1.0	8.9	8.8	0.9
—Crude oil imports 3/4/	3.5	3.7	(5.2)	2.8	3.2	(13.1)
—Product imports	2.0	2.0	1.5	1.8	2.1	(16.3)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API's Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 472 million barrels as of May 31, 1985.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

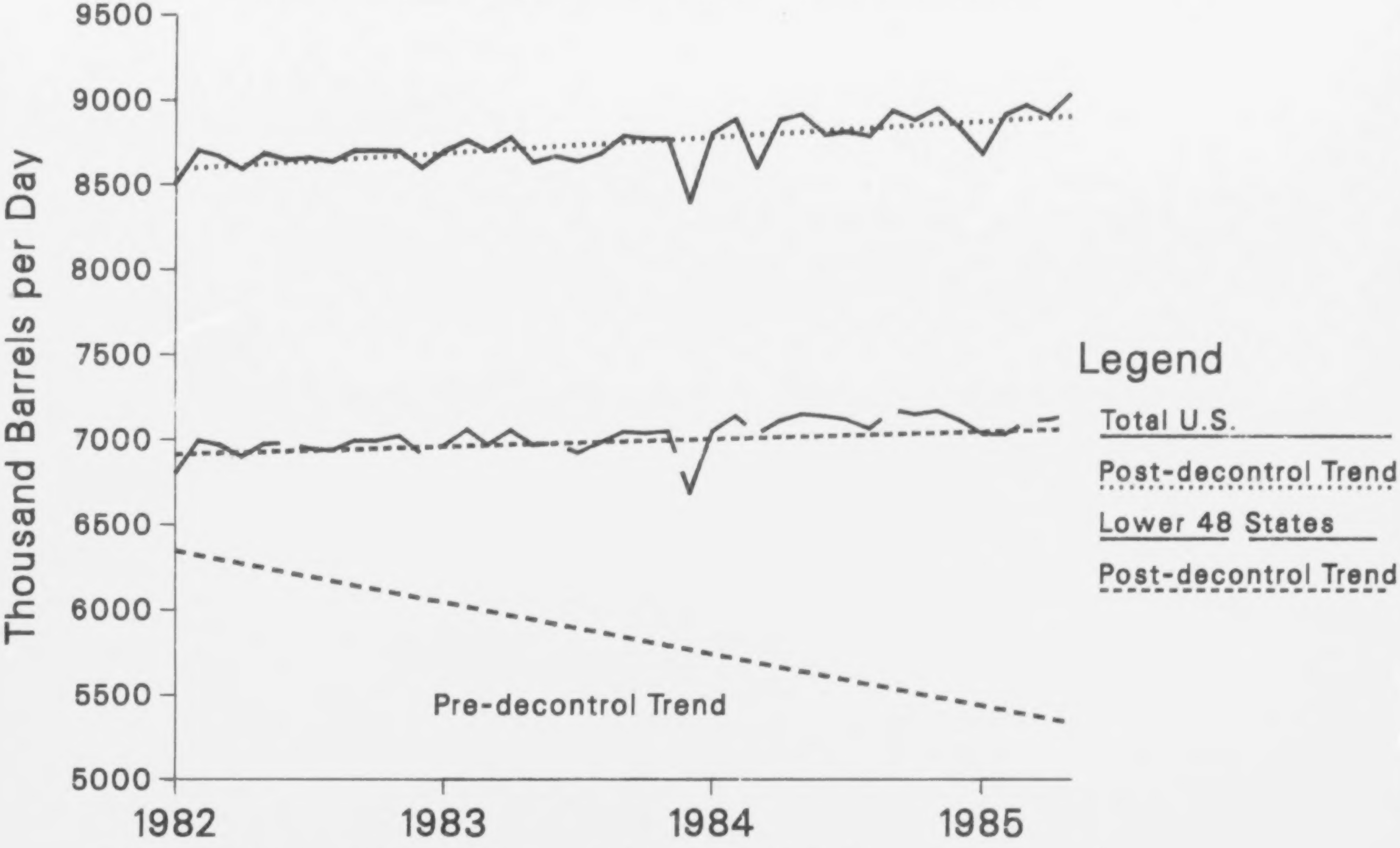
Products Supplied/Supply From Primary Storage	MAY 1985[1]	MAY 1984[2]	MAY % Change	YEAR-TO-DATE 1985[3R]	YEAR-TO-DATE 1984[2]	YEAR-TO-DATE % Change
Products Supplied:						
Total motor gasoline	6,950	6,873	1.1	6,662	6,517	2.2
Finished leaded motor gasoline*	2,613	2,882	(9.3)	2,482	2,759	(10.0)
Finished unleaded motor gasoline*	4,337	3,991	8.7	4,180	3,758	11.2
Naphtha-jet	215	240	(10.4)	213	215	(0.9)
Kerosine-jet	893	897	(0.4)	934	924	1.1
Distillate fuel oil	2,611	2,827	(7.6)	3,034	3,073	(1.3)
Residual fuel oil	1,076	1,218	(11.7)	1,233	1,560	(21.0)
All other oils[4]	3,658	3,797	(3.7)	3,679	3,772	(2.5)
Reclassified[5]	- 243	- 284	(14.4)	- 205	- 215	(4.7)
Total domestic products supplied	15,160	15,568	(2.6)	15,550	15,846	(1.9)
Exports	722	766	(5.7)	787	685	14.9
Total products supplied	15,882	16,334	(2.8)	16,337	16,531	(1.2)
Supply:						
Domestic production:						
Crude oil[6]	9,032	8,942	1.0	8,893	8,816	0.9
Natural gas liquids	1,630	1,610	1.2	1,631	1,605	1.6
Other supply[7]	525	904	(41.9)	715	903	(20.8)
Total domestic supply	11,187	11,456	(2.3)	11,239	11,324	(0.8)
Imports:						
Crude oil, total	3,488 10/	3,681 10/	(5.2)	2,772 10/	3,190 10/	(13.1)
Canadian	506	377	34.2	450	357	26.1
Other	2,982	3,304	(9.7)	2,322	2,833	(18.0)
Products, total	2,019	1,989	1.5	1,787	2,134	(16.3)
Residual fuel oil	396	554	(28.5)	481	795	(39.5)
Other	1,623	1,435	13.1	1,306	1,339	(2.5)
Total imports	5,507	5,670	(2.9)	4,559	5,324	(14.4)
Total supply	16,694	17,126	(2.5)	15,798	16,648	(5.1)
Stock change, all oils	+ 812	+ 792	XXXX	- 539	+ 117	XXXX
Refinery Operations						
Input to crude oil distillation units	12,141	12,414	(2.2)	11,713	12,126	(3.4)
Operable capacity	15,514	16,076	(3.5)	15,534	16,128	(3.7)
Refinery utilization (%)[8]	78.3%	77.2%	1.4	75.4%	75.2%	0.3
Crude oil runs	11,966	12,243	(2.3)	11,580	11,949	(3.1)

Stocks (millions bbls.)	1985 May 31[9]	1985 Apr. 30[9]	1984[2] May 31	% Change from . . . Previous Month	% Change from . . . Year Ago
Crude oil 10/	355.1	347.3r/	359.1	2.2	(1.1)
Unfinished oils	113.3	112.5	122.2	0.7	(7.3)
Total motor gasoline**	215.7	213.8r/	252.8	0.9	(14.7)
Finished leaded motor gasoline*	76.4	77.9r/	101.2	(1.9)	(24.5)
Finished unleaded motor gasoline*	105.0	101.9r/	109.5	3.0	(4.1)
Naphtha-jet	6.7	6.2	6.6	8.1	1.5
Kerosine-jet	34.7	35.1r/	34.3	(1.1)	1.2
Distillate fuel oil	104.7	97.0r/	98.2	7.9	6.6
Residual fuel oil	43.1	45.7	46.3	(5.7)	(6.9)
All other oils	150.0	140.5r/	173.0	6.8	(13.3)
Total all oils	1,023.3	998.1r/	1,092.5	2.5	(6.3)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-March, U.S. Department of Energy, April-May, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

Exhibit A

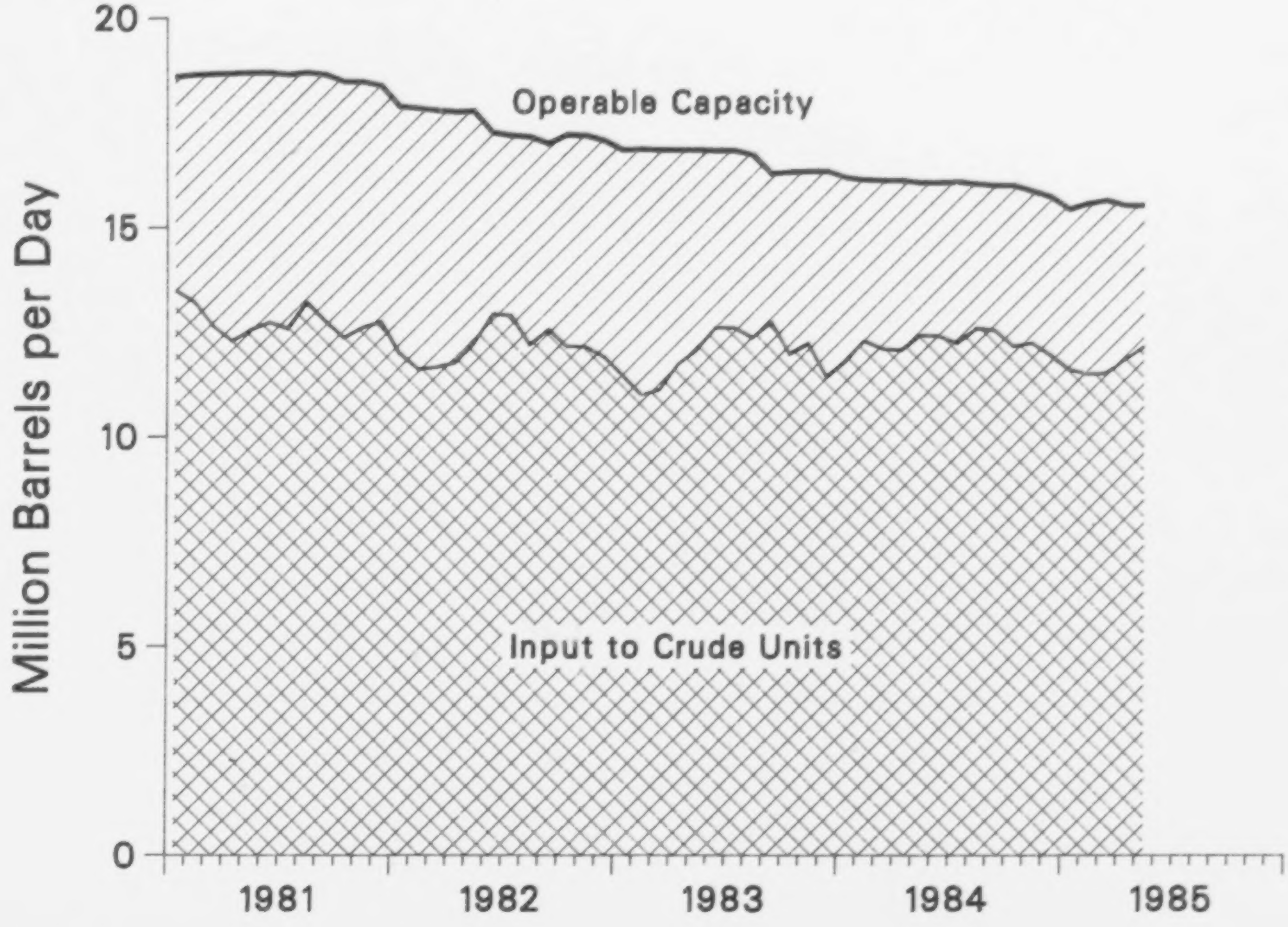
Domestic Crude Oil Production and Trends
Total U.S. and Lower 48 States



Source: Dept. of Energy/Energy Information Admin. and
American Petroleum Institute

EXHIBIT B

REFINERY OPERATIONS AND OPERABLE CAPACITY



Sources: Department of Energy, American Petroleum Institute

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American Petroleum Institute
1220 L Street, Northwest
Washington, D.C. 20005

Monthly Statistical Report

Prepared by the Statistics Department

Vol. 9, No. 6

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JUNE 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

TOTAL ENERGY

Mainly because of slower economic growth this year compared to last, U.S. energy consumption is estimated to have risen less than 1 percent in the first half of 1985. This contrasts with the more-than-4 percent increase in 1984 versus the prior year. As Table I shows, petroleum's 2.2 percent decline this year was more than offset by increases in coal and non-hydrocarbon energy use; natural gas consumption remained about the same as in the first half of 1984. Largely as a result of switching away from residual fuel oil by electric utilities and industrial users, petroleum's market share, at 40.3 percent, was down more than a percentage point from the first half of 1984. Higher electricity demand, combined with the continuing shift to coal in this sector, increased coal's market share by a percentage point.

TABLE I

ESTIMATED ENERGY CONSUMPTION BY TYPE
(QUADRILLION BTU's)

	Petroleum	Natural Gas	Coal	Other	Total
1984 First Half	15.6	9.7	8.4	3.9	37.6
1985 First Half	15.2	9.7	8.8	4.0	37.7
Change	-0.4	0.0	+0.4	+0.1	+0.1
Percent Change[1/]	-2.2%	0.0%	+5.3%	+4.6%	+0.8%
First Half 1984 Share (Percent)	41.5%	25.9%	22.3%	10.4%	100.0%
First Half 1985 Share (Percent)	40.3%	25.7%	23.3%	10.7%	100.0%
Percentage-Point Change in Market Share	-1.2	-0.2	+1.0	+0.3	

[1/] Adjusted for differing number of days in the two periods.
Note: Calculations based on unrounded numbers.

PETROLEUM PRODUCTS

As in prior months, the level of petroleum products supplied in June fell below year-earlier levels, the 2.8%, 435 thousand barrel per day (B/D) decrease contributing to a roughly 340 thousand B/D decline in first-half deliveries. Except for naphtha jet and distillates, product demand is estimated to have declined across the board in June; for the first 6 months, gasoline and kerosine jet fuel deliveries provided the only year-to-year increases. Exhibit I traces seasonally-adjusted deliveries since 1983.

June crude production, while failing to match May's recent-year record, was 123 thousand B/D greater than last year's. Second quarter and total first-half production levels exceeded corresponding 1984 periods by about 60 thousand and 40 thousand B/D, respectively.

Imports decreased about 100 thousand B/D in June and 125 thousand B/D during the second quarter, compared with last year, but, because of a more-than 1.1 million barrel per day year-to-year deficit in the first quarter, ended the first half some 600 thousand B/D below year-earlier levels.

June inventories rose about 1 million barrels from prior-month levels, a fraction of their normal seasonal increase.

PRODUCTS SUPPLIED[1/]

Gasoline

ALMOST 2% AHEAD OF FIRST-HALF 1984.

The level of gasoline deliveries fell 88 thousand B/D in June from year-earlier levels, despite the fact that current-year figures include an estimated 50-60 thousand B/D in sales by blenders not part of last year's reporting universe. June was one of the few months during the past two years in which year-to-year declines in gasoline deliveries were experienced, though increases generally have not been large. But, with demand relatively weaker in May than earlier in the year and June showing a deficit, deliveries increased only 114 thousand B/D during the first half as a whole, and about half of that advance is linked to the increase in the reporting population referred to above. What small true rise remains is, as has been the case for some time, the net result of real gasoline prices, still lower than last year on an inflation-adjusted basis despite a recent upward trend, and higher real disposable income, offset by increases in engine efficiency. Real disposable income has recently been rising at an average 4% annual rate compared with last year (5 month comparison). Posted gasoline prices rose about ¾¢ in June from May levels, but, despite their recent advance, are, when adjusted for inflation, still some 3 percent below year-earlier levels.

Gasoline prices have been generally higher during the last decade than in the past, leading to fuel conservation efforts. In response, automobile purchases were directed to more fuel-efficient vehicles, offsetting to a large degree the growth in gasoline demand that would have otherwise occurred. Exhibit II shows gasoline demand since 1981. It indicates that gasoline demand, because of higher real disposable income and a decline in real gasoline prices from the high reached in early 1981, would have increased some 15% in that four-year span. Instead, the increase in fuel-efficiency, as reflected in rising "miles per gallon" figures, held the increase to about 2%.

Unleaded gasoline's share of the gasoline market rose to more than 64% in June, more than five percentage points above the year-earlier share. Sales of new cars increased about 3% during the first half of 1985 compared with already-strong first-half 1984 levels, and scrappage of older cars, a portion of which still use leaded gasoline, is estimated to have been substantial. Both factors contribute to the increase in unleaded's market share.

Distillates

UP MORE THAN 3% IN JUNE BUT DOWN SLIGHTLY FOR THE FIRST HALF OF 1985.

Distillate deliveries were 89 thousand B/D (3.4%) ahead of last year in June despite lower transportation demand but, for the year to date, are slightly below the corresponding 1984 period. For most of the first half of 1985, deliveries have suffered from continuing price uncertainties and lower demand for diesel transportation fuels. As the economy cooled, rail and truck traffic levels are estimated to have both fallen about 4% below year-earlier levels during the first half. The adverse effect of reduced rail and truck traffic on six-month distillate deliveries is estimated to be about 50 thousand B/D.

Residual Fuel Oil

DOWN MORE THAN 20% FOR JUNE AND THE FIRST HALF VERSUS LAST YEAR.

With the U.K. coal strike settled in early March, residual fuel oil prices dropped sharply. Despite some price firming in June, prices were still $5-6 per barrel below early-1985 levels and lower than last year by simiiar amounts. Nevertheless, delivery levels have continued to lag last year's levels. Residual fuel oil deliveries in June were 284 thousand B/D (21.1%) below last year, about in line with the year-to-date trend.

TABLE II

ESTIMATED SECTORAL DEMAND FOR RESIDUAL FUEL OIL
(in 000's of barrels per day)

	Utilities	Bunkers	Industrial and Other	Total
1984 First Half	540	362	634	1536
1985 First Half	390	380	454	1224
Change	-150	+ 18	-180	-312

As the comparison in Table II shows, not even the recent sharp decline in resid prices appears to have slowed the decline in resid demand. During the first quarter, the year-to-year loss was almost evenly divided between the electric utility and industrial sectors, with a slight increase in bunker fuel deliveries providing a minor offset. In early spring, the decline in the industrial sector was about twice that of the electric utility sector, but resid prices that continued to slide precipitously until early June may have helped to reduce the decline for the first half as a whole to an estimated 150 thousand and 180 thousand B/D for electric utilities and the industrial sector, respectively. However, the fact that natural gas prices have also been on a generally-downward trend, in part because of increasing spot sales and other special marketing arrangements, appears to have minimized any switch-back to residual fuel oil, despite its substantial price slide.

As the total energy tabulation in Table I above shows, coal continued to make gains in market penetration. This is also true in the electric utility sector where coal's share during the first 3 months of 1985 rose to over 55% of total input from 54% in the first quarter of 1984. Petroleum (mostly residual fuel oil) continued to lose ground, its 20% input loss against last year reducing its share of total first quarter input from last year's 6.0% to 4.6% in 1985. Natural gas, on the other hand, rose about 4% to garner a close to 10% share of input, only slightly higher than last year. These trends are not likely to have been materially altered in the second quarter. In recent years, as coal continued to make gains, the main focus has been on price competition between residual fuel oil and natural gas for the remainder of the electric utilities' needs.

Kerosine Jet Fuel

DOWN 4% IN JUNE, UP ABOUT 1% IN THE FIRST HALF, COMPARED WITH LAST YEAR.

Kerosine jet fuel deliveries fell 4% in June and were up only slightly from last year's levels for the second quarter and the first six months of the year. Delivery levels, previously on a long-term uptrend, were affected by a strike at United Airlines that lasted from mid-May to mid-June. For the first four months, mainly because of a surge in April, deliveries had been about 3% greater than in the corresponding 1984 period, some 1 to 2 percentage points below the estimated increase in "miles flown". However, year-to-year increases have been decidedly below 1984's as the economy shifted into lower gear, and May/June levels were also affected by the strike.

Other Oils

DOWN MORE THAN 4% AND 3%, RESPECTIVELY, FOR JUNE AND THE FIRST HALF.

Deliveries of "other oils" continued their decline in June, their 173 thousand B/D fall contributing to the 120 thousand B/D (3.2%) six-month decline.

Sales to the chemical industry were a major factor in the overall decline, as that industry failed to match first half 1984's buoyancy and imports of chemicals continued to rise. The daily average of deliveries of petrochemicals fell 17% during the first four months of the year, compared with the corresponding 1984 period. Demand in May and June are also estimated to have fallen considerably, accounting for about 65 thousand B/D, or roughly half, of the six-month drop in total deliveries of "other oils." Special naphthas are estimated to have experienced a 20-30 thousand B/D decline for the first half.

Liquefied petroleum gases are estimated to be about even with last year's results for the first half of the year. Butane sales are estimated to be about 8% ahead of last year and propane and ethane deliveries about equal to last year's first half.

It is unlikely that allocation of federal funds in early March has already been translated into higher asphalt and road oil deliveries, and first half 1985 delivery levels are estimated to be only some 40 thousand B/D, about 12 1/2%, ahead of last year.

(In millions of B/D)	JUNE ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	15.3	15.7	(2.8)	15.5	15.9	(2.2)
—Motor gasoline supplied	7.0	7.1	(1.2)	6.7	6.6	1.7
—Distillate fuel oil supplied	2.7	2.6	3.4	3.0	3.0	(0.6)
—Residual fuel oil supplied	1.1	1.3	(21.1)	1.2	1.5	(20.3)

PETROLEUM SUPPLY[1/]

Total supply fell 408 thousand B/D during June and 754 thousand B/D for the first six months of the year, compared with year-earlier levels. About 140 thousand B/D of the decline in first-half supply arose from lower total domestic supply; the bulk, however, is attributable to a more than 600 thousand B/D drop in imports.

Production

UP 1/2% FOR THE FIRST HALF VERSUS LAST YEAR.

Crude oil production continued to be ahead of last year in June, rising 123 thousand B/D (1.4%) over year-ago levels, though falling almost 60 thousand B/D from the recent-year record set in May. North Slope production (Prudhoe Bay plus Kuparuk) rose 230 thousand B/D, but a roughly 100 thousand B/D decline in the lower 48 offset almost half the net Alaskan increase. For the first 6 months of the year, Alaskan production, net of a small offshore production decline, was 86 thousand barrels ahead of last year, essentially because of higher production at Kuparuk. Lower 48 production ended the first half about 46 thousand B/D below first-half 1984 levels.

Imports

DOWN 11 1/2% IN FIRST HALF.

Total imports fell 101 thousand B/D (2.0%) below year-ago levels in June; however, because of a substantial 1.1 million B/D year-to-year decline in the first quarter, they were more than 600 thousand B/D below last year's first half. Six-month crude and product imports both fell by roughly 300 thousand B/D. The shortfall in product imports arose essentially from lower residual fuel oil imports, as its demand continued to fall.

Attached Exhibit III shows the level of quarterly imports since 1981. Imports were considerably lower in the first quarter of the year than in the corresponding 1984 period, mainly because of continuing price uncertainty. In the second quarter, imports rose to within 129 thousand B/D of 1984's second quarter. As shown in the exhibit, the second-quarter decrease in imports was the result of lower residual fuel oil imports. For the first six months, gasoline imports (including gasoline components), on the other hand, are estimated to have risen more than 20% to about 480 thousand B/D; distillate imports, in part because of warmer weather in the second quarter than last year, fell about 15%.

For the first four months, Mexico was the largest source of imports into the U.S., with Canada a close second, followed by Venezuela and Indonesia. Imports from OPEC countries receded by more than 400 thousand B/D during the four-month period, largely as a result of lower imports from Saudi Arabia and Algeria. Overall, imports from OPEC countries for the first four months represented 33% of total imports, 2 percentage points below last year's level.

Inventories

UP 1 MILLION BARRELS IN JUNE.

Inventories rose one million barrels in June and are some 53 million barrels below year-earlier levels; about half of that decline is attributable to adjustments in gasoline inventory levels. Last year's effort to refill distillate storage had resulted in co-production of gasoline, not then needed to fill immediate needs, and concurrent inventory increases.

Inventories of "other oils" rose in June but were some 12 million barrels below last year, in good part because the entire spectrum of natural gas liquids and liquefied refinery gases has been experiencing year-to-year inventory declines as prices languished.

Gasoline inventories rose more than three million barrels in June, when normally there is a several-million-barrel seasonal decline. They represent 31 days of supply, about average for this time of year. Distillate inventories rose 5 million barrels to within 3 million barrels of last June's level. Crude inventories, though falling about 12 million barrels in June, at 343 million barrels remained within the broad 340-360 million barrel range maintained for most of the past three years. While this level of inventories is considerably above minimum operating levels, it gives the system added flexibility in handling product demand changes and incidents of price and supply uncertainties.

Exhibit IV shows crude and major product inventories for the past 6½ years.

Operations

UTILIZATION UP MORE THAN 2 PERCENTAGE POINTS IN JUNE FROM LAST YEAR'S LEVEL.

For the past several months, refinery utilization has gradually risen. June's rate of refinery utilization reached almost 80%. As input to distillation units was only minimally above last year, it was essentially the estimated 450 MBD decrease in operable capacity that raised the refinery utilization rate by more than two percentage points over year-earlier levels.

(In millions of B/D)	JUNE ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.1	16.5	(2.5)	15.9	16.7	(4.5)
—Crude production[2/]	9.0	8.9	1.4	8.9	8.8	0.5
—Crude oil imports[3/4/]	3.3	3.2	2.0	2.9	3.2	(9.5)
—Product imports	1.8	1.9	(8.5)	1.8	2.1	(14.4)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 477 million barrels as of June 30, 1985.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JUNE 1985[1]	JUNE 1984[2]	JUNE % Change	YEAR-TO-DATE 1985[3R]	YEAR-TO-DATE 1984[2]	YEAR-TO-DATE % Change
Products Supplied:						
Total motor gasoline	7,019	7,107	(1.2)	6,731	6,617	1.7
Finished leaded motor gasoline*	2,498	2,893	(13.7)	2,481	2,781	(10.8)
Finished unleaded motor gasoline*	4,521	4,214	7.3	4,250	3,836	10.8
Naphtha-jet	230	212	8.5	216	218	(0.9)
Kerosine-jet	856	892	(4.0)	930	922	0.9
Distillate fuel oil	2,682	2,593	3.4	2,979	2,996	(0.6)
Residual fuel oil	1,060	1,344	(21.1)	1,224	1,536	(20.3)
All other oils[4]	3,661	3,834	(4.5)	3,674	3,794	(3.2)
Reclassified[5]	- 232	- 271	(14.4)	- 223	- 210	6.2
Total domestic products supplied	15,276	15,711	(2.8)	15,531	15,873	(2.2)
Exports	769	864	(11.0)	765	715	7.0
Total products supplied	16,045	16,575	(3.2)	16,296	16,588	(1.8)
Supply:						
Domestic production:						
Crude oil[6]	8,975	8,852	1.4	8,887	8,847	0.5
Natural gas liquids	1,595	1,613	(1.1)	1,619	1,608	0.7
Other supply[7]	429	841	(49.0)	672	862	(22.0)
Total domestic supply	10,999	11,306	(2.7)	11,178	11,317	(1.2)
Imports:						
Crude oil, total	3,301 10/	3,237 10/	2.0	2,901 10/	3,207 10/	(9.5)
Canadian	504	274	83.9	482	338	42.6
Other	2,797	2,963	(5.6)	2,419	2,869	(15.7)
Products, total	1,771	1,936	(8.5)	1,833	2,142	(14.4)
Residual fuel oil	403	685	(41.2)	486	789	(38.4)
Other	1,368	1,251	9.4	1,347	1,353	(0.4)
Total imports	5,072	5,173	(2.0)	4,734	5,349	(11.5)
Total supply	16,071	16,479	(2.5)	15,912	16,666	(4.5)
Stock change, all oils	+ 26	- 96	XXXX	- 384	+ 78	XXXX
Refinery Operations						
Input to crude oil distillation units	12,443	12,418	0.2	11,856	12,172	(2.6)
Operable capacity	15,619	16,069	(2.8)	15,577	16,109	(3.3)
Refinery utilization (%)[8]	79.7%	77.3%	3.1	76.1%	75.6%	0.7
Crude oil runs	12,270	12,255	0.1	11,719	12,008	(2.4)

Stocks (millions bbls.)	1985 June 30[9]	1985 May 31[9]	1984[2] June 30	% Change from . . . Previous Month	% Change from . . . Year Ago
Crude oil 10/	342.9	355.1	352.9	(3.4)	(2.8)
Unfinished oils	115.6	113.3	110.8	2.0	4.3
Total motor gasoline**	219.2	215.8r/	245.5	1.6	(10.7)
Finished leaded motor gasoline*	82.4	76.4	96.7	7.9	(14.8)
Finished unleaded motor gasoline*	103.3	105.0	107.5	(1.6)	(3.9)
Naphtha-jet	6.5	6.7	6.9	(3.0)	(5.8)
Kerosine-jet	36.5	34.7	36.1	5.2	1.1
Distillate fuel oil	109.7	104.7	112.8	4.8	(2.7)
Residual fuel oil	41.1	43.1	46.9	(4.6)	(12.4)
All other oils	164.7	162.0r/	176.9	1.7	(6.9)
Total all oils	1,036.2	1,035.4r/	1,088.8	0.1	(4.8)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-April, U.S. Department of Energy, May-June, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	2nd QUARTER		
	1985[1]	**1984**[2]	% Change
Products Supplied:			
Total motor gasoline	6,965	6,891	1.1
Finished leaded motor gasoline*	2,555	2,866	(10.9)
Finished unleaded motor gasoline*	4,410	4,025	9.6
Naphtha-jet	230	237	(3.0)
Kerosine-jet	907	900	0.8
Distillate fuel oil	2,685	2,778	(3.3)
Residual fuel oil	1,090	1,321	(17.5)
All other oils[3]	3,620	3,735	(3.1)
Reclassified[4]	- 239	- 228	4.8
Total domestic products supplied	15,258	15,634	(2.4)
Exports	751	762	(1.4)
Total products supplied	16,009	16,396	(2.4)
Supply:			
Domestic production:			
Crude oil[5]	8,951	8,891	0.7
Natural gas liquids	1,608	1,616	(0.5)
Other supply[6]	616	915	(32.7)
Total domestic supply	11,175	11,422	(2.2)
Imports:			
Crude oil, total	3,362[9]	3,397[9]	(1.0)
Canadian	522	360	45.0
Other	2,840	3,037	(6.5)
Products, total	1,882	1,976	(4.8)
Residual fuel oil	407	633	(35.7)
Other	1,475	1,343	9.8
Total imports	5,244	5,373	(2.4)
Total supply	16,419	16,795	(2.2)
Stock change, all oils	+ 410	+ 399	XXXX
Refinery Operations			
Input to crude oil distillation units	12,182	12,312	(1.1)
Operable capacity	15,605	16,087	(3.0)
Refinery utilization (%)[7]	78.1%	76.5%	2.1
Crude oil runs	12,016	12,132	(1.0)

Stocks (millions bbls.)	2nd QUARTER		
	1985[8]	**1984**[2]	% Change
Crude oil	342.9[9]	352.9[9]	(2.8)
Unfinished oils	115.6	110.8	4.3
Total motor gasoline**	219.2	245.5	(10.7)
Finished leaded motor gasoline*	82.4	96.7	(14.8)
Finished unleaded motor gasoline*	103.3	107.5	(3.9)
Naphtha-jet	6.5	6.9	(5.8)
Kerosine-jet	36.5	36.1	1.1
Distillate fuel oil	109.7	112.8	(2.7)
Residual fuel oil	41.1	46.9	(12.4)
All other oils	164.7	176.9	(6.9)
Total all oils	1,036.2	1,088.8	(4.8)

1/ Source: U.S. Department of Energy, April; May-June, API.

2/ Source: U.S. Department of Energy.

3/ Includes crude losses.

4/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.

5/ Includes lease condensate.

6/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.

7/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."

8/ Derived by interpolating API weekly stocks data.

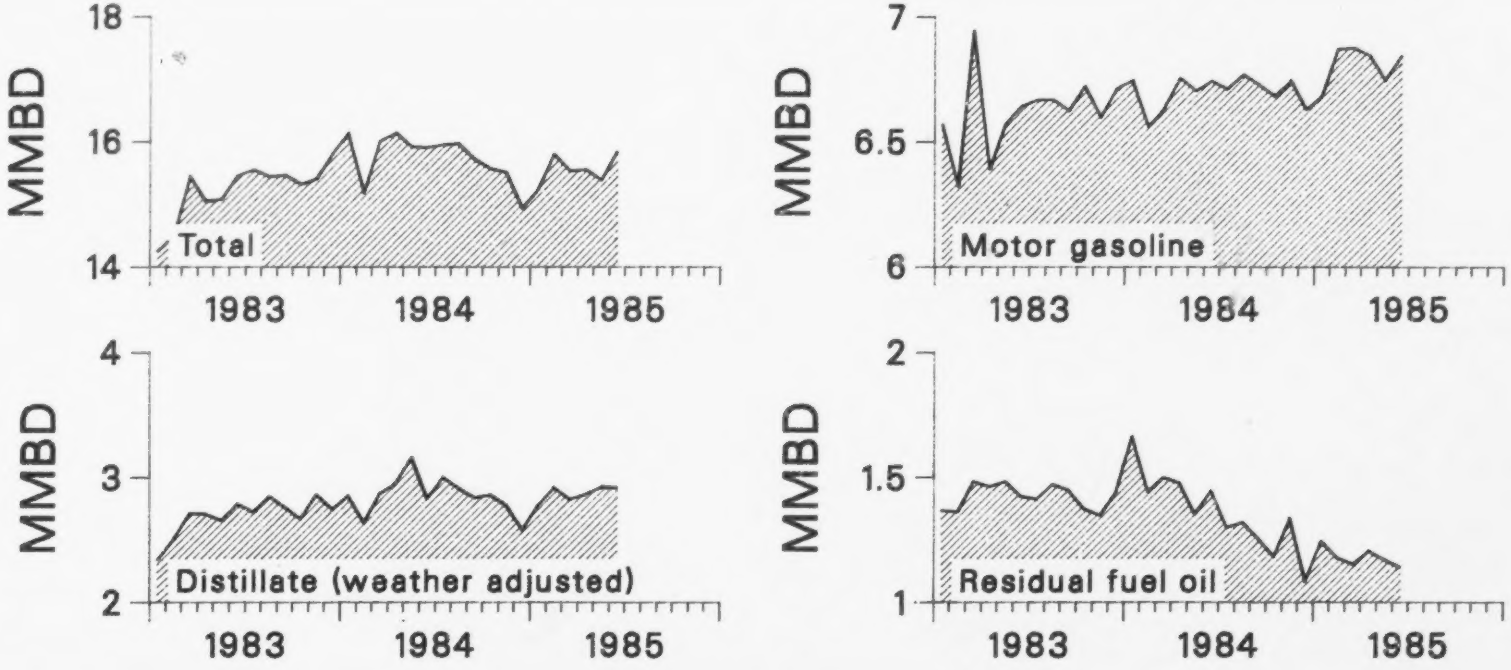
9/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.

* Included in motor gasoline.

** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

EXHIBIT I

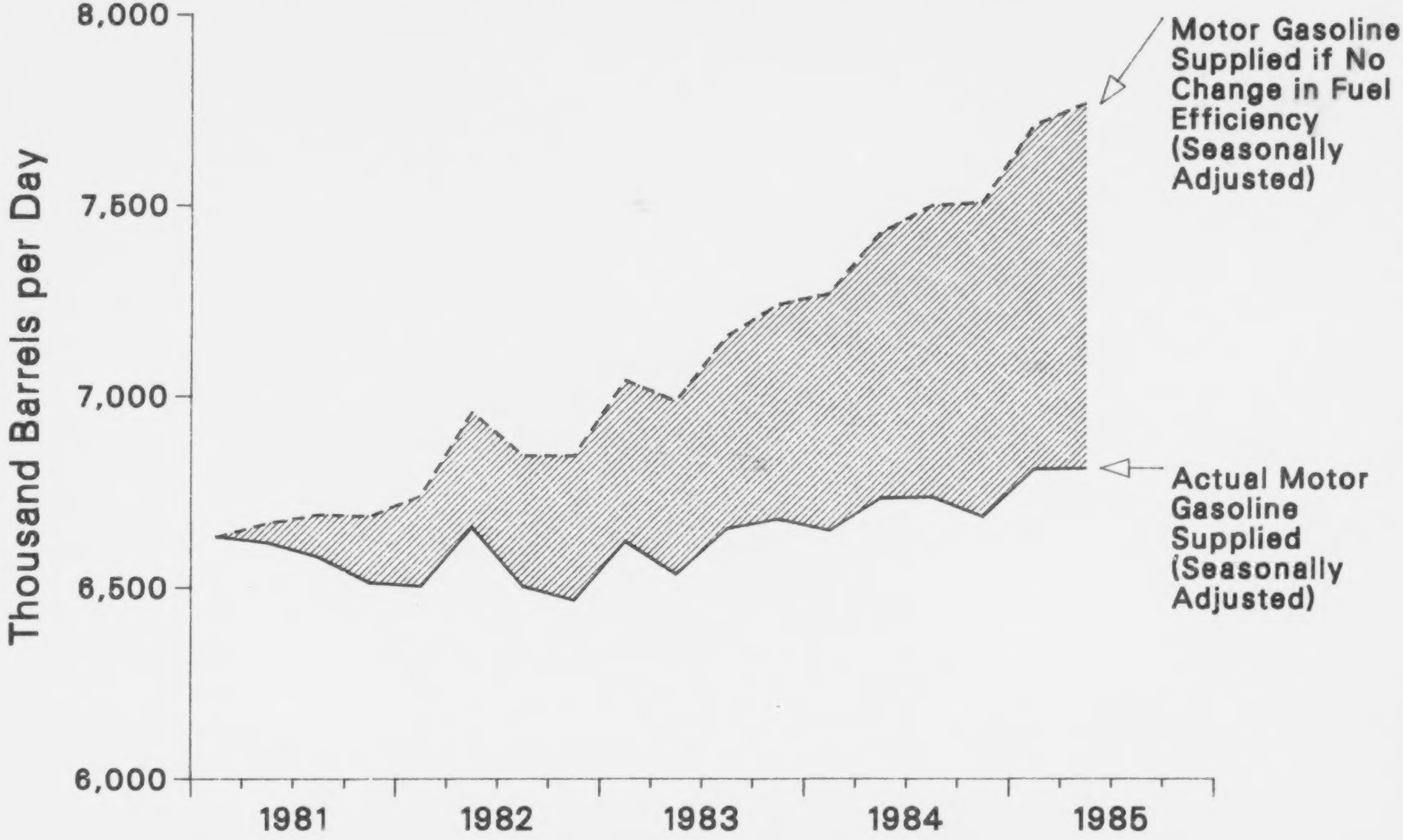
SEASONALLY ADJUSTED PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT II

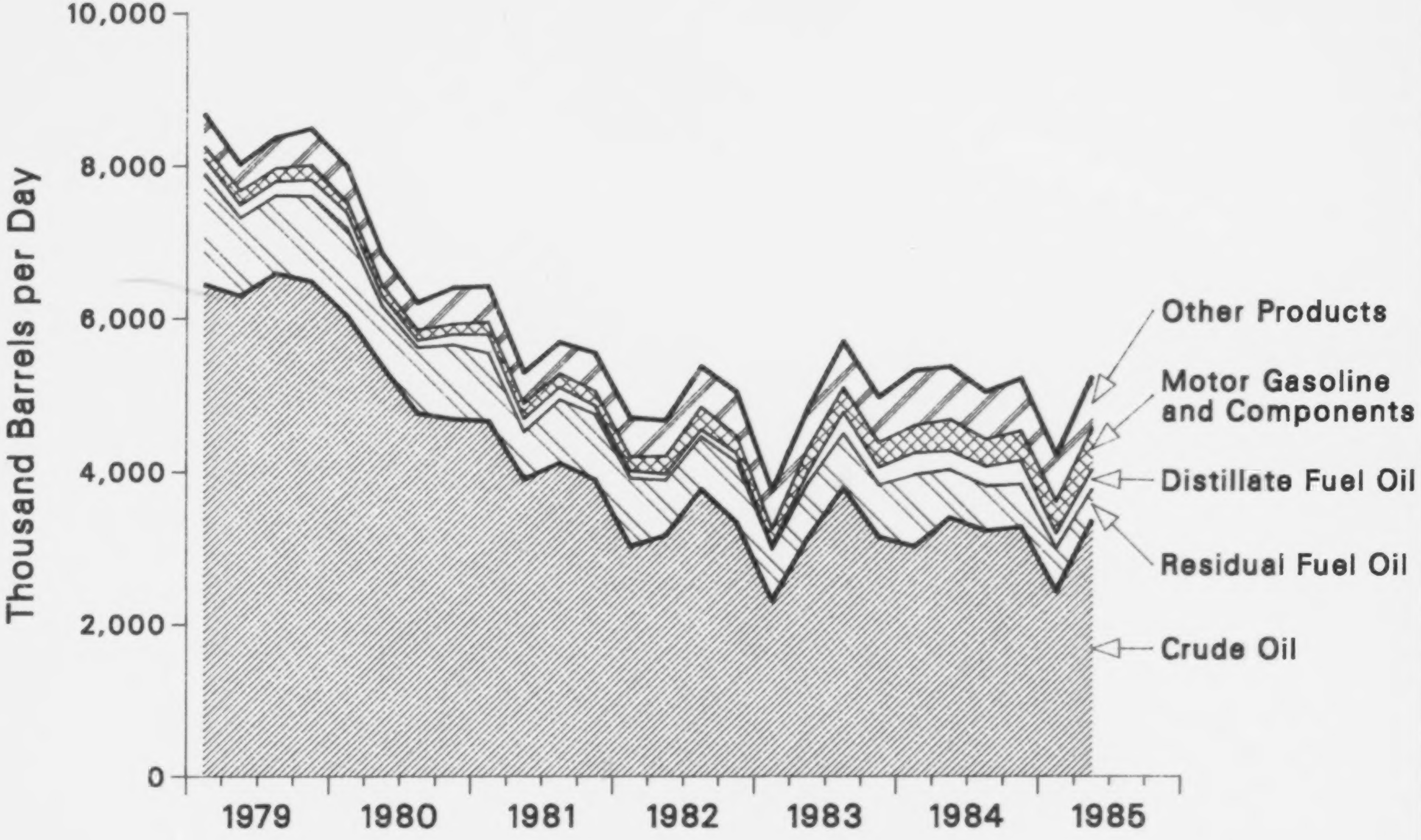
THE EFFECT OF FUEL EFFICIENCY IMPROVEMENTS ON MOTOR GASOLINE SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT III

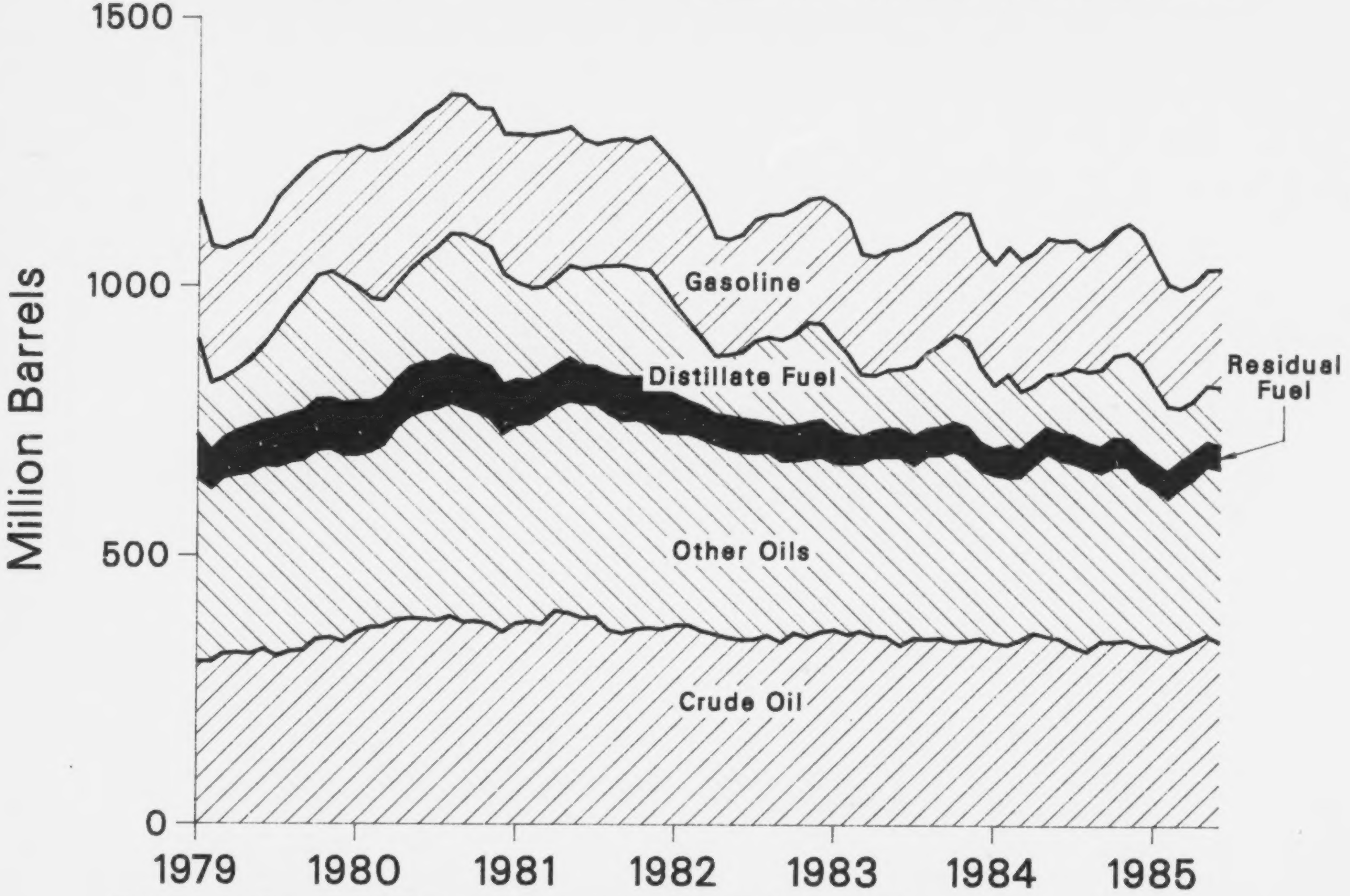
QUARTERLY CRUDE OIL AND PETROLEUM PRODUCT IMPORTS



Sources: Department of Energy, American Petroleum Institute

EXHIBIT IV

STOCKS OF CRUDE OIL AND REFINED PETROLEUM PRODUCTS



Source: Dept. of Energy/Energy Information Admin. and American Petroleum Institute

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Monthly Statistical Report

Prepared by the Statistics Department

Vol. 9, No. 7

AUGUST 14, 1985

JULY 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Domestic products were supplied at a 283 thousand B/D (1.8%) lesser rate in July than a year ago. Gasoline and kerosine jet fuel were the only products showing an increase in deliveries. Fuel oils and the "other oils" category experienced substantial declines.

Crude production rose 73 thousand B/D over July 1984 levels; higher Alaskan production offset a continuing recent-month decline in lower 48 output. July imports decreased minimally from prior-year levels. Inventories rose a less-than-seasonal 9 million barrels from June levels; most product stocks increased but crude oil inventories fell some 19 million barrels. The level of refinery utilization continued to climb.

PRODUCTS SUPPLIED[1/]

Gasoline

UP CLOSE TO 3% OVER LAST YEAR. The level of gasoline supplied rose 185 thousand B/D (2.7%) over last year's. When the roughly 45 thousand B/D attributable to additional reporting by blenders this year is considered that was not included in the July 1984 data, the resulting roughly 2% increase is about in line with prior months' results, when similarly adjusted.

Gasoline pump prices started to drift downward after mid-month, as supply from both production and imports increased. Narrowing of the leaded/unleaded price spread, which could have been related to higher costs incurred in connection with the July 1 mandatory reduction in lead levels in leaded gasoline, became widespread. As a result, pump prices for leaded gasoline rose slightly less than 1¢ per gallon. Prices for unleaded gasoline, however, were slightly lower, holding the July total gasoline price increase to about ¼¢ per gallon.

Unleaded gasoline represented close to 64% of the total gasoline market in July, little changed from the prior-month level but up about 4 percentage points from last July's.

Fuel efficiency increases have put a damper on the rise in gasoline demand. However, the substantial increase in the total vehicle fleet and increases in miles traveled resulting from the drop in gasoline prices over the past four years have had a larger impact on gasoline demand than the volume reduction caused by improved fuel efficiency.

Distillates

DOWN 4% COMPARED WITH LAST JULY. Deliveries of distillates fell 99 thousand B/D (4.0%) in July from prior-year levels. Deliveries last July were 50-75 thousand B/D above the prevailing trend, accounting for as much as three-quarters of the year-to-year decline; the remainder is largely attributable to the drop in truck and rail traffic. On the basis of prior-months' trends, which evidence generally-deteriorating traffic levels as the economy cooled, truck traffic is estimated to have fallen 5-6% in July and rail traffic at an only slightly lesser rate.

Residual Fuel Oil

DOWN ALMOST 10%. Deliveries of residual fuel oil fell 115 thousand B/D (9.6%) in July, compared with prior-year levels. Public records indicate that about 45 thousand B/D of residual fuel oil imported may have been subsequently rerun in refineries, and that the decline in resid demand may thus be correspondingly higher. Even with this adjustment, however, the year-to-year decline, while then more than 13%, is less than the average first-half decline, largely as a result of substantial recent-month residual fuel oil price deterioration.

Change in energy input sources for the generation of electricity continues. It is interesting to note, for example, that, for the first four months of 1985, nuclear fuel rose about 14% over input during the corresponding period last year to a close-to-16% share of total, while petroleum input fell by more than 20% to a just-over-4% share.

In early March, with settlement of the U.K. coal strike, resid prices started to drop. Domestic prices experienced a slight recovery in June and early July from mid-May lows but then weakened again and have recently been some $5-6 per barrel below July 1984 levels. However, while all sectors of the resid market benefited from recent price drops, the industrial sector may have done so to a greater degree because of substantial dual-fuel capability.

Most recent deliveries data and a longer-term sectorial comparison appear to support that assumption. Using data for May that have now become available, it appears that the electric utilities' residual fuel oil purchases dropped about 120 thousand B/D in that month, while industrial demand rose a like amount compared with last year.

Comparing 5 months of 1985 with 5 months of 1983, it becomes evident that, over a longer-time period, roughly 70% of the 200 thousand B/D resid decline was experienced by the electric utilities, while the industrial sector accounted for about 20% of the decline. This caused the electric utilities' share of the resid market to drop by five percentage points to about 29%, while the industrial sector's share rose by about three points from 39% to 42%.

Natural gas prices, too, have been trending downward, registering lower prices than last year at both wholesale and retail marketing levels. However, the overall price decline has not been as sharp as resid's.

The only residual fuel market that has experienced increased demand this year is the bunker fuel market. Recent deliveries have been some 10-20 thousand B/D higher than last year.

Kerosine Jet Fuel

UP 5 %.

July deliveries of kerosine jet fuel were about 48 thousand B/D (5.0%) higher than the year-earlier level, but, for the year to date, delivery levels are only minimally above last year's (15 thousand B/D or 1.6%). Based on preliminary data, "miles flown" levels, which had experienced declining rates of growth this year even before the United Airlines strike, are estimated to be 3%-4% ahead of last year for the January-through-July period.

The apparent gap between the movements of kerosine jet fuel deliveries and air traffic levels indicates that conservation efforts are continuing. In the early eighties, fuel costs were about 30% of total cash operating expenses. While kerosine jet fuel prices have declined by about one-third over the past four years, they are still considerably above levels of the early seventies. Though fuel costs, at a reported low-20's percentage level last year of total cash operating costs, were below recent-year levels, they still are at twice the rate prevailing in the early seventies.

Other Oils

DECLINED MORE THAN 6%.

The level of "other oils" delivered fell 243 thousand B/D (6.1%) from last July's. A continued lower level of activity in the chemical sector is responsible for a decided downturn in petrochemical feedstock deliveries. Preliminary data indicate, however, that, while still considerably below last year's levels in the second quarter, the year-to-year decline in chemical industry sales was less than in the first quarter. It is estimated that this trend continued in July. Petrochemical deliveries fell more than 66 thousand B/D, or roughly 16%, for the first five months, but the downward trend is estimated to have since slackened somewhat.

Road oil and asphalt deliveries were about 27 thousand B/D (11%) greater than last year for the first 5 months, largely as a result of continued infusion of state and local funds into highway activities. However, allocation of substantial federal funds for highway construction and maintenance in March may by now have started to further benefit road oil and asphalt sales.

On the basis of prior trends, ethane and propane deliveries are estimated to have both fallen slightly in July compared with year-earlier levels. On a year-to-date basis, ethane is about 20-25 thousand B/D, or roughly 4% below last year, while propane continues to be at about the same deliveries level as last year.

	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
(In millions of B/D)	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	15.2	15.5	(1.8)	15.5	15.8	(1.8)
—Motor gasoline supplied	7.0	6.8	2.7	6.8	6.6	2.1
—Distillate fuel oil supplied	2.4	2.5	(4.0)	2.9	2.9	(1.1)
—Residual fuel oil supplied	1.1	1.2	(9.6)	1.2	1.5	(17.3)

PETROLEUM SUPPLY[1/]

Total July supply was 178 thousand B/D larger than a year ago, essentially because of an increase in total domestic supply.

Production

UP NEARLY 1% OVER LAST YEAR'S LEVEL.

Crude oil production rose 73 thousand B/D over July 1984 levels, largely as a result of higher Kuparuk output. Production in the lower 48, which earlier had contributed to higher total U.S. output, fell some 50 thousand B/D in July. Lower production in major producing states is responsible for the drop. Output in Texas, for example, is estimated to have been down some 70 thousand B/D from year-earlier levels.

Imports

MINIMALLY LOWER THAN LAST YEAR.

Total imports fell 19 thousand B/D (0.4%), because lower crude oil imports more than offset a 6% increase in products imports. This is the eighth consecutive month that imports have been below year-earlier levels. July imports were well below what they likely would have been, had crude oil imports been sufficient to maintain crude stocks in the recently-prevailing range. However, continued price uncertainty during May and June, when arrangements for a good portion of crude shipments arriving in July were made, reduced purchases.

July gasoline and gasoline component imports are estimated to have reached a total of about 500 thousand B/D, about 170 thousand barrels higher than in July 1984. Distillate imports fell about 100 thousand B/D compared with year-earlier levels.

During May (the latest month available), Mexico led the list of petroleum importers into the U.S., followed by Canada, Venezuela, and the United Kingdom. Imports from the Persian Gulf area totaled less than 400 thousand B/D, some 300 thousand B/D below year-earlier levels. This is largely the result of a decline in crude imports from Saudi Arabia, which recently significantly lowered crude production. As a result, the area's May share of total imports fell to 7%, compared with last year's more than 11½% share. OPEC's total share of imports into the U.S. was about 34% in May, compared with about 45% last year.

Inventories

ROSE 9 MILLION BARRELS IN JULY.

Total petroleum inventories rose about 9 million barrels in July, little more than a third their historical advance for this time of year. About two-thirds of the 28 million barrel increase in total product inventories was offset by a 19 million barrel decrease in crude oil inventories.

Gasoline inventories, which, on average, undergo little change from June levels in July, rose more than 9 million barrels; they represent almost 33 days of supply, in line with the historical average for this time of year. The boost in gasoline inventories is the combined result of gasoline production some 400 thousand B/D higher than last year and an about 170 thousand B/D increase in gasoline imports at a time when deliveries rose less than a third the production-plus-imports increase. Distillate stocks rose 8 million barrels, as the seasonal build-up continued.

Operations

5 PERCENTAGE POINTS HIGHER THAN LAST YEAR.

Input to distillation units was up about 216 thousand B/D from June levels and more than twice that amount over year-earlier input. Aided by the roughly 465 thousand B/D year-to-year reduction in operable capacity, refinery utilization rose by more than 5 percentage points over July 1984 levels to a new monthly 1985 high. The recently-released API Refinery Survey indicates that about 1.2 million barrels of total operable capacity was estimated to be either idle or undergoing repairs. Of the remaining roughly 14.4 million barrel capacity in actual operation, about 88 percent is currently being utilized.

(In millions of B/D)	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.2	16.0	1.1	16.0	16.6	(3.5)
—Crude production[2/]	9.0	8.9	0.8	8.9	8.9	0.6
—Crude oil imports[3/4/]	3.2	3.3	(3.8)	2.9	3.2	(8.5)
—Product imports	1.9	1.8	6.1	1.8	2.1	(12.0)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 484 million barrels as of July 31, 1985.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average In Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JULY			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	7,015	6,830	2.7	6,786	6,648	2.1
Finished leaded motor gasoline*	2,557	2,773	(7.8)	2,492	2,780	(10.4)
Finished unleaded motor gasoline*	4,458	4,057	9.9	4,294	3,868	11.0
Naphtha-jet	211	232	(9.1)	217	220	(1.4)
Kerosine-jet	1,004	956	5.0	942	927	1.6
Distillate fuel oil	2,405	2,504	(4.0)	2,893	2,925	(1.1)
Residual fuel oil	1,077	1,192	(9.6)	1,229	1,486	(17.3)
All other oils[4]	3,735	3,978	(6.1)	3,688	3,821	(3.5)
Reclassified[5]	- 230	- 192	19.8	- 226	- 207	9.2
Total domestic products supplied	15,217	15,500	(1.8)	15,529	15,820	(1.8)
Exports	720	536	34.3	756	689	9.7
Total products supplied	15,937	16,036	(0.6)	16,285	16,509	(1.4)
Supply:						
Domestic production:						
Crude oil[6]	8,958	8,885	0.8	8,902	8,853	0.6
Natural gas liquids	1,618	1,634	(1.0)	1,615	1,612	0.2
Other supply[7]	589	449	31.2	702	802	(12.5)
Total domestic supply	11,165	10,968	1.8	11,219	11,267	(0.4)
Imports:						
Crude oil, total	3,190 10/	3,317 10/	(3.8)	2,949 10/	3,223 10/	(8.5)
Canadian	476	291	63.6	480	331	45.0
Other	2,714	3,026	(10.3)	2,469	2,892	(14.6)
Products, total	1,869	1,761	6.1	1,835	2,086	(12.0)
Residual fuel oil	495	597	(17.1)	503	761	(33.9)
Other	1,374	1,164	18.0	1,332	1,325	0.5
Total imports	5,059	5,078	(0.4)	4,784	5,309	(9.9)
Total supply	16,224	16,046	1.1	16,003	16,576	(3.5)
Stock change, all oils	+ 287	+ 10	XXXX	- 282	+ 67	XXXX
Refinery Operations						
Input to crude oil distillation units	12,659	12,176	4.0	11,996	12,173	(1.5)
Operable capacity	15,619	16,085	(2.9)	15,612	16,106	(3.1)
Refinery utilization (%)[8]	81.0%	75.7%	7.0	76.8%	75.6%	1.6
Crude oil runs	12,483	12,028	3.8	11,855	12,011	(1.3)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	July 31[9]	June 30[9]	July 31	Previous Month	Year Ago
Crude oil 10/	323.7	342.7r/	347.9	(5.5)	(7.0)
Unfinished oils	113.4	115.6	106.0	(1.9)	7.0
Total motor gasoline**	228.6	219.2	238.1	4.3	(4.0)
Finished leaded motor gasoline*	79.9	82.4	91.8	(3.0)	(13.0)
Finished unleaded motor gasoline*	113.4	103.2r/	107.9	9.9	5.1
Naphtha-jet	6.8	6.5	6.9	4.6	(1.4)
Kerosine-jet	36.4	36.5	36.8	(0.3)	(1.1)
Distillate fuel oil	117.5	109.8r/	124.4	7.0	(5.5)
Residual fuel oil	41.5	41.1	49.2	1.0	(15.7)
All other oils	178.1	165.7r/	179.9	7.5	(1.0)
Total all oils	1,046.0	1,037.1r/	1,089.2	0.9	(4.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-May, U.S. Department of Energy, June-July, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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American Petroleum Institute
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Washington, D.C. 20005

Monthly Statistical Report

Prepared by the Statistics Department
Vol. 9, No. 8

SEPTEMBER 18, 1985
AUGUST 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Domestic products were supplied at a 58 thousand B/D (0.4%) higher rate in August than a year ago. Deliveries of gasoline, kerosine jet fuel, and distillates posted year-to-year gains in August, while residual fuel oil and other oils again declined. Year-to-year increases in demand for such light products as gasoline and kerosine jet fuel have prevailed for most of the year, but distillate deliveries have mostly been on the downside.

Crude oil production rose about 1.3% over last August's level, as the combined result of an increase in lower 48 output and higher Alaskan production. Both crude and product imports were below year-earlier levels, as market uncertainties continued. Inventories fell counterseasonally in August, their 21 million barrel drop since July contrasting with a roughly 15 million barrel increase that has, on average, been occurring at this time of the year over the past decade.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 2.0% OVER LAST YEAR. Deliveries of gasoline rose 144 thousand B/D (2.0%) over August 1984 levels. Some 45 thousand B/D, or about a third of the year-to-year increase, is the result of blenders' volume not included in last year's count, reducing the true year-to-year increase to about 1.4%. This rate of improvement is about in line with the average increase in prior months this year, when similarly adjusted.

Gasoline prices sagged in August. Leaded gasoline prices fell about 1½¢ and unleaded about a penny. When adjusted for inflation, current price levels are slightly below last August's and some 30% below March 1981 highs.

Unleaded's market share in August was 65%, a close-to-five-point advance over the prior year. Increases in car sales and scrappage of old, leaded-gasoline-using vehicles continue to spur unleaded sales. Helped by financing incentives in late August, car sales rose by about 23% for the month, raising the year-to-date gain to roughly 5%.

Distillates

DELIVERIES UP NEARLY 5%. Distillate deliveries rose 120 thousand B/D (4.7%) over last August's level, despite the fact that demand related to truck and rail traffic continued to lag year-earlier levels, declining an estimated 30-40 thousand B/D. Non-primary inventories are believed to have reached low levels by early August, and distributors and consumers appear to have replenished inventories at a perhaps 150-thousand B/D greater rate this August than last.

June and first half 1985 delivery levels compiled by the Department of Energy have just become available. On page 2 we list our sectoral estimates of distillate consumption for the first halves of 1984 and 1985. Comments on our estimates for major sectors follow:

On-Highway

The year-to-year change for this sector is based, in large part, on trends apparent from data contained in the Federal Highway Department's Special Fuels report, an estimated 95% of volume included therein representing diesel fuels. That report showed demand for the first quarter to be up slightly from last year, but preliminary reports for April and May indicate that deliveries in those two months declined 2% - 3% year-to-year. With June 1984's strong special fuels volume, June 1985's year-to-year decline is likely to have been even greater than during the prior two months, and total first-half distillate deliveries to this sector, despite a first-quarter increase, are estimated to be trailing last year by about 25 thousand B/D.

DISTILLATE DELIVERIES BY END-USE SECTOR

	(MBD)		
	1st Half 1984	1st Half 1985	% Change
Residential and Commerical	828	795	-4.0
Industrial	236	235	-0.4
Farm	200	205	2.5
Oil Company	77	72	-6.5
Utilities	33	29	-12.1
Railroad	297	288	-3.0
Bunkers	95	90	-5.3
On-highway	1060	1045	-1.4
Military	46	46	—
Off-highway	118	122	3.4
Subtotal	2990	2930	-2.0
Miscellaneous	6	31	N/M
Total	2996	2961	-1.2

Source: Totals only — Dept. of Energy, Energy Information Administration; Sector estimates by American Petroleum Institute.

Note: Percentage changes are based on rounded figures shown.

Railroads

Bulk freight carriage declined about 3.5% during the first six months of 1985 versus last year's first half and "piggy back" traffic, long providing substantial year-to-year increases, also fell. As a result, railroad diesel usage for the first six months of 1985 is estimated to be almost 10 thousand B/D below last year.

Residential/Commercial

Warmer weather this year, particularly in the Middle Atlantic States and the upper Midwest, was responsible for a good part of the more-than-30 thousand B/D decline.

Oil-Company

Significant drops in drilling activity contributed to the 5 thousand B/D decline.

Some offset to these decreases was provided by the farm and "miscellaneous" sectors. Crop estimates for major grains and cotton envisaged significant gains over last year's record harvests. With plantings up, demand for distillate was likely up somewhat from 1984 levels. The remainder of the year-to-year change, not readily allocatable to other sectors, has been assigned to the "miscellaneous" sector.

Residual Fuel Oil

DECLINED MORE THAN 7% FROM LAST AUGUST'S LEVEL.

August deliveries fell 95 thousand B/D (7.5%) short of last year's level, continuing the almost-uninterrupted decline since 1978.

While economic activity slackened in recent months, major economic performance indicators continue to be ahead of last year. Industrial production, for example, while experiencing declining year-to-year gains for the past year, was about 1% ahead in July, and showed a similar increase in August. Recent price trends for residual fuel oil and natural gas, major competitors in the electric utilities and industrial markets, have been favoring natural gas. After falling to recent-year lows in May, residual fuel oil prices, after minor zigzag movements in June and July, strengthened in late August, by end of month posting a roughly $3-per-barrel rise over early-month quotations. Natural gas prices, on the other hand, have been experiencing continued deterioration at all levels. Spot market prices are reported to have fallen the equivalent of 10-20¢ per thousand cubic feet in August from July levels. While still relatively small in volume, such spot sales—or other relatively-short-term arrangements—are on the increase and apparently have an influence on contracts being renegotiated. Exhibit I depicts the course of natural gas and residual fuel oil prices since 1981, as represented by prices paid by electric utilities.

As a result of a widened gap between resid and natural gas prices, we estimate that resid deliveries to the industrial sector, which benefited meaningfully from lower resid prices in May, were equal to or only slightly above last August's.

While price developments significantly influenced the industrial market with its substantial dual-fuel-boiler capacity, purchases of resid by electric utilities have also been affected. For the first six months of 1985, recently-released figures indicate a deliveries decline at electric utilities of about 160 thousand B/D compared with last year's level. Data now indicate, however, that the second-quarter loss in resid deliveries was some 120 thousand B/D versus a first-quarter decline of about 200 thousand B/D, reflecting the impact of lower residual fuel oil prices after the end of the U.K. coal strike in early March. As prices have recovered in part from late spring lows, there is reason to believe that resid purchases by electric utilities in August were again falling. We, therefore, estimate that August's decline in resid deliveries to the electric utilities sector may have exceeded 150 thousand B/D. Coal, whose price is also below last year's level, further consolidated its dominant role in the electric utilities market, rising almost a full percentage point to a 55% market share.

Bunker deliveries have recently been slightly ahead of last year's; recent months' increases have averaged about 20 thousand B/D.

As we mentioned in last month's report, public records indicate that some residual fuel oil imported—possibly averaging some 45-50 thousand B/D in recent months—is subsequently being rerun, and that the decrease in end use resid demand is correspondingly greater.

Kerosine Jet Fuel

UP 3% OVER LAST AUGUST.

The level of kerosine jet fuel deliveries has been on the rise throughout August, reaching a level of about 1.2 million B/D during the second half of the month. For August as a whole, deliveries were up 31 thousand B/D (3.1%) over the year-ago level, exceeding the 1 million B/D level for the second month in a row.

"Miles flown" data are not yet available for the most recent months. The almost-continuous diminution of year-to-year increases since early 1985 would indicate that August miles flown would not have exceeded last August's level, the highest of 1984, though preliminary reports indicate that August air traffic levels were very high.

For the year to date, kerosine jet fuel deliveries are less than 3% ahead of last year, while "miles flown" are believed to have exceeded the corresponding 8 months of 1984 average by about 4%.

Other Oils

DECLINED MORE THAN 1%.

Deliveries of "other oils" are estimated to have fallen about 56 thousand B/D (1.4%) compared with last August's. The chemical industry's sales are reported to have fallen about 1% in the second quarter of 1985 compared with the corresponding 1984 period. This rate of year-to-year decrease is only about half the first quarter's rate of decline; the improved rate of the second quarter, moreover, is estimated to have continued into July and August. Petrochemical feedstock deliveries dropped 45 thousand B/D, or about 11%, for the first six months of 1985 versus last year's first half. However, the improving trend of overall chemical sales leads us to believe that by August petrochemical feedstock deliveries to chemical companies may have experienced a smaller year-to-year deficit.

Asphalt and road oil deliveries were about 20 thousand B/D, or roughly 7%, greater in this year's first half than for the corresponding period last year, largely as a result of higher state and local road construction outlays. We believe that last March's allocation of current-year federal funds has been having only a gradual effect on road oil deliveries. Consequently, we do not estimate total eight months' deliveries to have exceeded last year's levels by any meaningfully greater amount than the first half's 20 thousand B/D increase.

Propane deliveries were up about 90 thousand B/D in June but only about 34 thousand B/D, or slightly over 4% for the first six months of the year. Propane prices have been lower for some months; they were some 8¢ per gallon below last year in August. The recent-month pick-up in sales may be related to this price decline, and, as a consequence of rising activity in the chemical sector, may have continued into August. Nevertheless, because last August's deliveries were relatively high, we estimate August 1985 deliveries to be about 85 thousand B/D (11%) lower than last year. As a result, eight months' volume is likely to have been only minimally ahead of last year.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	16.2	16.1	0.4	15.6	15.9	(1.3)
—Motor gasoline supplied	7.2	7.1	2.0	6.8	6.7	2.0
—Distillate fuel oil supplied	2.7	2.6	4.7	2.9	2.9	(0.8)
—Residual fuel oil supplied	1.2	1.3	(7.5)	1.2	1.5	(16.4)

SUPPLY[1/]

Total supply rose 64 thousand B/D compared with last year. A roughly 283 thousand B/D increase in total domestic supply was only partially offset by a 219 thousand B/D shortfall in imports.

Production

UP MORE THAN 1% OVER LAST AUGUST'S.

Crude oil production rose 117 thousand B/D (1.3%) over the prior-year level, slightly higher than increases during prior months.

Alaskan production, largely because of a more-than-doubled output rate at Kuparuk, rose an estimated 80 thousand B/D in August. For the first time in several months, lower 48 production also showed an increase, though minimal at about 40 thousand B/D.

Total domestic production has been experiencing a slight year-to-year uptrend for more than three years and the lower 48, from the middle of 1983 until early this year, had been a steady contributor. Decreases averaging some 300 thousand B/D had occurred in the price-controlled seventies in the lower 48, but the downward trend was halted when price controls were partly removed in mid-1979 and fully eliminated in January 1981. Had the trend continued, lower 48 production at this time would have been some 1.9 million barrels per day less than current levels.

Imports

DOWN 4½% FROM AUGUST 1984 LEVELS.

August imports fell 219 thousand B/D (4.5%) from prior-year levels, as a greater proportion of supply, because of the continued lack of market stability, was obtained from inventories. Both crude oil and product imports were below last year's. The 161 thousand B/D drop in residual fuel oil imports contributed almost three-quarters of the year-to-year decline in total imports. Gasoline and gasoline component imports are estimated to have exceeded last year by 125-150 thousand B/D. However, distillate imports fell about 140 thousand B/D. The availability of distillates has reportedly been tight in European markets. As a result, European spot prices had risen more than $3 per barrel by late August over July levels to well above N.Y. Harbor quotations, apparently diverting some product to these higher-priced markets.

Canada, by a slim margin over Mexico, was the largest source of imports into the U. S. in June, the latest month for which data are available. The United Kingdom, Venezuela, and Indonesia followed, in that order. Imports from Canada were more than 200 thousand B/D above last June's level, while Mexican imports dipped about 40 thousand B/D; Mexican production and overall export levels have recently been somewhat below prior levels.

OPEC's share of June imports was about 34% compared with last June's 41%.

Inventories

DOWN ALMOST 21 MILLION BARRELS FROM JULY LEVELS.

With price uncertainty continuing, inventories fell almost 21 million barrels in August, when they normally rise by about 15 million barrels at this time of year. Falling crude oil inventories accounted for almost 3 million barrels of the total decline, unfinished oils' decline for about 9 million barrels. Gasoline inventories fell some 3 million barrels, roughly in line with the historical decline at this time of the year. They represent an about-average 31 days of supply. Distillate inventory levels fell slightly; build-up has been hampered by lower imports and the fact that August distillate production was about 125 thousand B/D below last year's level.

Inventories of natural gas liquids and liquefied refinery gases, which represent roughly 60% of all "other oils" inventories, rose in July (latest month available) from June levels, in line with historical patterns, but were still some 15 million barrels below last year. Slowed economic activity, including chemical sales that at least during the first half of 1985 had been trailing last year's high levels, appear to be the main reason. Prices for these products have been under pressure for some time and have generally been below last year's levels, though some scattered recovery in selected markets occurred towards month-end.

Operations

UTILIZATION RATE, AT MORE THAN 70%, WAS SLIGHTLY AHEAD OF LAST YEAR IN AUGUST.

Input to crude oil distillation units was about 270 thousand B/D below last August's level but operable capacity decreased by about 420 thousand B/D. As a result, utilization was almost a half percentage point greater than last year's level. If the roughly 1.2 million B/D in presently-idled operable capacity is taken into consideration in computing the utilization rate, it rises to about 85%.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.2	16.2	0.4	16.1	16.5	(2.9)
—Crude production[2/]	8.9	8.8	1.3	8.9	8.8	0.8
—Crude oil imports[3/4/]	2.9	3.1	(5.2)	2.9	3.2	(9.3)
—Product imports	1.7	1.8	(3.3)	1.8	2.0	(11.5)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

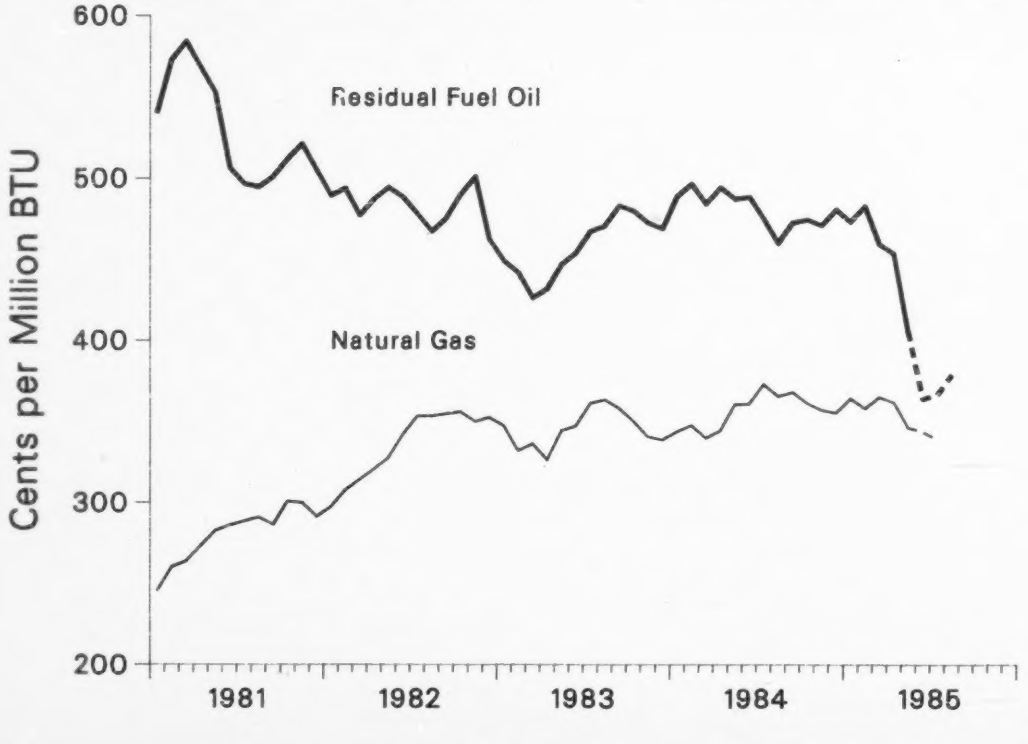
2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 487 million barrels as of August 31, 1985.

Exhibit I

COST TO ELECTRIC UTILITIES OF RESIDUAL FUEL OIL AND NATURAL GAS



Sources: through May, Department of Energy; June through August, estimated based on Bureau of Labor Statistics data.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	AUGUST			YEAR-TO-DATE		
	1985[1]	**1984**[2]	% Change	**1985**[3R]	**1984**[2]	% Change
Products Supplied:						
Total motor gasoline	7,237	7,093	2.0	6,836	6,705	2.0
Finished leaded motor gasoline*	2,534	2,811	(9.9)	2,500	2,784	(10.2)
Finished unleaded motor gasoline*	4,703	4,282	9.8	4,336	3,921	10.6
Naphtha-jet	215	257	(16.3)	217	225	(3.6)
Kerosine-jet	1,023	992	3.1	959	935	2.6
Distillate fuel oil	2,679	2,559	4.7	2,854	2,878	(0.8)
Residual fuel oil	1,166	1,261	(7.5)	1,219	1,458	(16.4)
All other oils[4]	4,038	4,094	(1.4)	3,771	3,855	(2.2)
Reclassified[5]	- 182	- 138	31.9	- 213	- 199	7.0
Total domestic products supplied	16,176	16,118	0.4	15,643	15,857	(1.3)
Exports	720	732	(1.6)	742	694	6.9
Total products supplied	16,896	16,850	0.3	16,385	16,551	(1.0)
Supply:						
Domestic production:						
Crude oil[6]	8,926	8,809	1.3	8,918	8,847	0.8
Natural gas liquids	1,623	1,637	(0.9)	1,618	1,615	0.2
Other supply[7]	1,039	859	21.0	795	809	(1.7)
Total domestic supply	11,588	11,305	2.5	11,331	11,271	0.5
Imports:						
Crude oil, total	2,908[10]	3,068[10]	(5.2)	2,905[10]	3,204[10]	(9.3)
Canadian	354	298	18.8	457	327	39.8
Other	2,554	2,770	(7.8)	2,448	2,877	(14.9)
Products, total	1,737	1,796	(3.3)	1,814	2,049	(11.5)
Residual fuel oil	411	572	(28.1)	495	737	(32.8)
Other	1,326	1,224	8.3	1,319	1,312	0.5
Total imports	4,645	4,864	(4.5)	4,719	5,253	(10.2)
Total supply	16,233	16,169	0.4	16,050	16,524	(2.9)
Stock change, all oils	- 663	- 681	XXXX	- 335	- 27	XXXX
Refinery Operations						
Input to crude oil distillation units	12,264	12,535	(2.2)	12,033	12,219	(1.5)
Operable capacity	15,619	16,040	(2.6)	15,626	16,097	(2.9)
Refinery utilization (%)[8]	78.5%	78.1%	0.5	77.0%	75.9%	1.4
Crude oil runs	12,104	12,346	(2.0)	11,896	12,054	(1.3)

Stocks (millions bbls.)	**1985**		**1984**[2]	% Change from . . .	
	Aug. 31[9]	Jul. 31[9]	Aug. 31	Previous Month	Year Ago
Crude oil [10]	322.4	325.0r/	334.6	(0.8)	(3.6)
Unfinished oils	104.3	113.2r/	106.0	(7.9)	(1.6)
Total motor gasoline**	225.8	229.0r/	224.4	(1.4)	0.6
Finished leaded motor gasoline*	80.4	79.9	85.4	0.6	(5.9)
Finished unleaded motor gasoline*	110.3	113.6r/	100.5	(2.9)	9.8
Naphtha-jet	6.9	6.8	7.1	1.5	(2.8)
Kerosine-jet	35.5	36.4	38.5	(2.5)	(7.8)
Distillate fuel oil	115.9	117.5	133.3	(1.4)	(13.1)
Residual fuel oil	38.8	41.5	44.6	(6.5)	(13.0)
All other oils	174.7	175.4r/	179.5	(0.4)	(2.7)
Total all oils	1,024.3	1,044.8r/	1,068.0	(2.0)	(4.1)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-June, U.S. Department of Energy, July-August, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

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Monthly Statistical Report

Prepared by the Statistics Department

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SEPTEMBER 1985

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products supplied rose 305 thousand B/D (2.0%) in September over last year's level. For the third quarter as a whole, deliveries were 124 thousand B/D, or 0.8%, higher than in the corresponding quarter last year. Both gasoline and kerosine jet fuels were year-to-year gainers in the September and third quarter periods; distillates experienced a slight downturn in September but rose minimally for the third quarter as a whole; residual fuel oil fell during September and for the third quarter.

Total crude oil production fell slightly in September, in part because of some hurricane-related interruptions in production, but Alaskan output was again higher than last year. Third-quarter production exceeded output during the same period last year by about 40 thousand B/D. Unsettled market conditions continued to hold down import levels; purchases fell about 470 thousand B/D below year-earlier levels in September and 355 thousand B/D in the third quarter. Mainly as a result of import declines, inventories also fell below last year's levels, finishing September some 79 million barrels, or about 7.3%, lower than last year.

PRODUCTS SUPPLIED[1]

Exhibit I traces the deseasonalized quarterly movement of deliveries for major products and total domestic products supplied since 1983; an accompanying graph (Exhibit II), which also plots changes in real GNP, indicates the short-term link of product demand trends to economic events during the past several years, when petroleum prices were generally in a downtrend; the influence of the economy on petroleum demand was muted between 1979 and 1981, however, by the substantial run-up in prices that followed the early-1979 supply disruption caused by turmoil in Iran.

Gasoline

UP ALMOST 4% OVER SEPTEMBER 1984.

The level of gasoline supplied rose 241 thousand B/D (3.7%) in September over year-earlier levels, and, even when adjusted for added blenders' volume not included in last year's data, is still more than 3% ahead of last year's. For the third quarter, deliveries, as adjusted for blenders' volume, were only slightly more than 2% ahead of last year, a somewhat greater increase, however, than for the first half of the year. We estimate that the increase in volume attributable to the change in the reporting universe has in recent months been reduced to 15-20 thousand B/D, and the year-to-year increase arising from that reporting change to the 30-40 thousand B/D range.

Gasoline prices, which have been on a decline since mid-July, continued to fall throughout September. Leaded gasoline prices dropped more than 2¢ per gallon, unleaded's price over a cent a gallon. On an overall basis, gasoline prices in September, when adjusted for inflation, were slightly below last year's and about 30% below early-1981 highs.

Unleaded's share of the gasoline market, at 65%, stayed within the narrow band of the last few months, which had experienced increases in the 4% to 5% range above year-earlier market shares. Spurred by financing incentives, new car sales, a major contributor to the swing to unleaded gasolines, continued at high levels, rising almost 47% in September over prior-year levels to raise 9 months' sales to almost 9% over those in the corresponding 1984 period.

Distillates

1% LOWER DELIVERIES THAN LAST YEAR.

Deliveries of distillates fell 29 thousand B/D (1.1%) below last September's but were minimally ahead of last year for the third quarter. The major reason for September's decline appears to have been a further slackening of rail and truck traffic. Railroad traffic fell about 9% in September, and truck traffic, down about 7% in August, is estimated to have fallen at a similar rate in September, resulting in an estimated 75-100 thousand B/D combined reduction in distillate deliveries, compared with last year's levels. On the plus side, somewhat higher deliveries than last year into depleted secondary storage are estimated to have continued into part of September, though at a much lesser pace than in August, amid a continuing recovery in wholesale heating oil prices to near-September 1984 levels.

Residual Fuel Oil

DELIVERIES DOWN 6% VERSUS LAST SEPTEMBER.

Residual fuel oil deliveries declined an estimated 74 thousand B/D (6.3%) from prior-year levels in September, and, for the third quarter, fell 107 thousand B/D (8.9%). For the year to date, deliveries are about 224 thousand B/D, or almost 16%, lower in 1985 than during the corresponding 1984 period.

Residual fuel oil prices rose some $2 per barrel in September over average August prices. They have now regained about half the $7-$8 per barrel decline experienced during the product's price slide that followed the early-March settlement of the U.K. coal strike.

Natural gas prices, amid continuing uncertainty as to the fate of proposed changes in purchase obligations, transportation and pricing rules, have been on a downward drift, spot market transactions generally experiencing the largest declines. Bureau of Labor Statistics data indicate, for example, that producer prices for natural gas, though up fractionally for the last month reported, were, on average, some 4-5% lower in recent months than last year. While these moves indicate that the overall price gap between natural gas and residual fuel oil prices has widened, the September year-to-year decline in resid deliveries was nevertheless considerably smaller than decreases experienced in the preceding three months. It appears likely that the industrial sector may have accounted for about two-thirds of September's lower delivery levels as a result of prompt switching to natural gas in the face of rising resid prices. For seven months of 1985, however, the estimated 150 thousand B/D (28%) year-to-year fall in resid deliveries to the electric utilities is still the largest sectoral decrease, representing more than 55% of the total year-to-year decline in resid deliveries. Though electricity production was up about 2% during that period, petroleum continued to lose market share to alternate fuel sources, reducing its share of total input for electricity generation from more than 5% to about 4%.

Kerosine Jet Fuel

UP ALMOST 5% IN SEPTEMBER AND NEARLY 4% FOR THE 3RD QUARTER.

Deliveries of kerosine jet fuel rose 48 thousand B/D (4.9%) in September, exceeding the million B/D mark; they were ahead of last year by 3.7% and 2.7% for the third quarter and the year to date, respectively. "Miles flown" year-to-year increases gradually became smaller as 1985 progressed, and a decline apparently occurred in June, in part because of the United Airlines strike. However, preliminary data indicate that subsequent months experienced strong air traffic levels. As a result, we estimate that third quarter traffic was 3 to 4% above last year's already substantial levels.

Other Oils

ABOUT 2% HIGHER THAN LAST YEAR'S LEVEL IN SEPTEMBER.

Shipments of other oils are estimated to have been 89 thousand B/D (2.3%) above last year in September. For the third quarter as a whole, delivery levels were also slightly higher (38 thousand B/D or 1.0%). The year-to-year sales decline in the chemical industry may have come to a halt, or even been reversed, in the third quarter, contributing to the slight improvement in "other oils" deliveries. As a consequence, we estimate that petrochemical deliveries, which had been trailing last year's levels by almost 50 thousand B/D for the first 7 months of the year, may have exceeded August and September 1984 levels by about 10 thousand B/D to average some 350 thousand B/D during the past two months.

Road oil and asphalt deliveries were an estimated 27 thousand B/D (7.7%) greater than last year during the first 7 months of 1985, and little change is believed to have occurred since. Allocation of highway funds in March has seemingly not yet made itself felt to any meaningful degree, and fiscal 1986's funds release was approved only recently. Delivery increases so far this year instead were mainly the result of significant state and local budget allocations.

For the first seven months of 1985, liquefied petroleum gas deliveries of close to 1.6 million B/D were about 1% ahead of last year. Prices for natural gas liquids have risen in recent weeks, but are still significantly below last year's levels. Normal butane and isobutane experienced the largest price increases, perhaps 8% - 10%; ethane and propane prices rose at lesser rates.

Small decreases occurred in deliveries of other products, such as lubricants, which experienced an 8% decline during the first seven months of the year.

	SEPTEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
(In millions of B/D)	**1985**	**1984**	**% Change**	**1985**	**1984**	**% Change**
—Total domestic products supplied	15.6	15.3	2.0	15.7	15.8	(0.8)
—Motor gasoline supplied	6.8	6.6	3.7	6.8	6.7	2.1
—Distillate fuel oil supplied	2.6	2.7	(1.1)	2.8	2.9	(0.7)
—Residual fuel oil supplied	1.1	1.2	(6.3)	1.2	1.4	(15.7)

SUPPLY[1/]

Total supply was 416 thousand B/D below September 1984's, essentially as a result of a 470 thousand B/D drop in imports; total domestic supply rose minimally.

Production

DOWN SLIGHTLY IN SEPTEMBER. Crude oil production was 15 thousand B/D (0.2%) below last year. For the third quarter as a whole, production was up about 40 thousand B/D (0.4%). For the year to date, production has risen about 56 thousand B/D (0.6%).

Alaskan production increased about 110 thousand B/D in September, solely as result of higher Kuparuk output, while lower 48 output fell about 125 thousand B/D, in part because of hurricane-reduced operations.

The attached Exhibit III traces production changes in Alaska and the lower 48 since January 1983, when oil prices were decontrolled. Lower 48 production has made a positive contribution to slowly-rising volume since mid-1983, though the current year's net increase resulted from higher Alaskan output.

Imports/Exports

PETROLEUM IMPORTS DOWN 9% VERSUS LAST SEPTEMBER; EXPORTS UP ABOUT 4%. Total imports fell 470 thousand B/D (9.0%)in September amid continuing price uncertainty, the decrease split about evenly between crude oil and product imports. The third quarter's imports decrease of 355 thousand B/D was the result of a 250 thousand B/D decline in crude oil imports and a 105 thousand B/D decline in product imports, the latter caused mainly by a roughly 130 thousand B/D drop in residual fuel oil imports.

After recovering partly during the spring from substantial early-year declines that had resulted from uncertainty as to the degree and timing of world market price adjustments, import levels again started to slide, as market volatility continued. As a result, with domestic demand rising slightly in the third quarter, domestic production relatively stable, but imports some 7% below last year, inventories fell. While residual fuel oil imports were below last year's level again in September, the decrease was smaller than in prior months. Distillate imports decreased by an estimated 145 thousand B/D, as prices in Europe continued to be above U.S. levels. Gasoline imports (including gasoline components) are estimated to have been 30-40 thousand B/D below last year's. The drop is the net result of a more than 50% decline in leaded gasoline imports and a close-to-30% increase in imports of unleaded gasolines. Attached Exhibit IV provides detail of quarterly imports, by major categories, since 1979.

Exports of petroleum products have not varied significantly during the past few years. Table I lists average annual exports by major category for the 1982 through 1984 period, and a comparison of seven-month results for 1984 and 1985.

Table I
Annual Exports
by Major Category (mbd)

	1982	1983	1984	Jan-July 1984	Jan-July 1985	Change 7 mos. 1985/1984 Vol.	(%)
Residual Fuel Oil	209	185	190	150	196	46	+30.7
Petroleum Coke	156	195	193	203	177	-26	-12.8
Distillates	74	64	51	46	50	4	+8.7
All Other Products	140	131	107	105	113	8	+7.6
Total Products	579	575	541	504	536	32	+6.3
Crude Oil	236	164	181	185	202	17	+9.2
Total Exports	815	739	722	689	738	49	+7.1

Note: Figures rounded independently

It should be noted that shipments to and from the U.S. Virgin Islands and Puerto Rico are treated as imports and exports, respectively, by the Department of Energy, whose figures are cited above. Of total crude exports of some 180 thousand B/D in 1984, about 115 thousand B/D were shipped to the U.S. Virgin Islands and more than 20 thousand B/D to Puerto Rico. A portion of the remainder of crude oil was shipped to Canada, which, in turn, fills regional U.S. supply needs under long-standing trade agreements. For similar reasons, about 35 thousand B/D of petroleum products were shipped to Mexico in 1984, a country from which we imported about 659 thousand B/D of crude oil and 89 thousand B/D of petroleum products that year.

Inventories

DOWN 9 MILLION BARRELS FROM AUGUST LEVELS.

The roughly-9-million barrel September decline in inventories contrasts with an historical increase more than twice its size. The decrease was partly due to a close-to-7 million barrel drop in crude oil inventories, as refiners apparently deferred replenishment of such inventories in the face of often-sizable daily price fluctuations. Gasoline stocks fell almost 3 million barrels from August levels; they normally rise slightly in September. Distillate stocks rose about 1½ million barrels, far below historical September levels. Lower distillate imports were partly responsible. Distillate production, which had been below last September's level early in the month, likely because of hurricane-related shutdowns, gradually picked up in mid-month; by month end, production was more than 260 thousand B/D greater than at the beginning of September, but total September output was still about 135 thousand B/D below last September's level.

Operations

UP ALMOST 2 POINTS FOR THE THIRD QUARTER.

September's refinery utilization rate was very close to last year's, despite early-month outages in major southern-U.S. refining centers as a result of hurricane Elena, which penalized production rates. For the third quarter as a whole, utilization continued to be ahead of last year, rising about two percentage points over the like 1984 period, essentially because of a close-to-400 thousand B/D decline in operable capacity. For the year to date, utilization is also slightly ahead of the corresponding nine-month-1984 average.

	SEPTEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
(In millions of B/D)	**1985**	**1984**	**% Change**	**1985**	**1984**	**% Change**
—Total supply	16.0	16.4	(2.5)	16.0	16.5	(2.9)
—Crude production 2/	9.0	9.0	(0.2)	8.9	8.9	0.6
—Crude oil imports 3/4/	3.1	3.3	(7.1)	2.9	3.2	(9.8)
—Product imports	1.7	1.9	(12.4)	1.8	2.0	(12.3)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

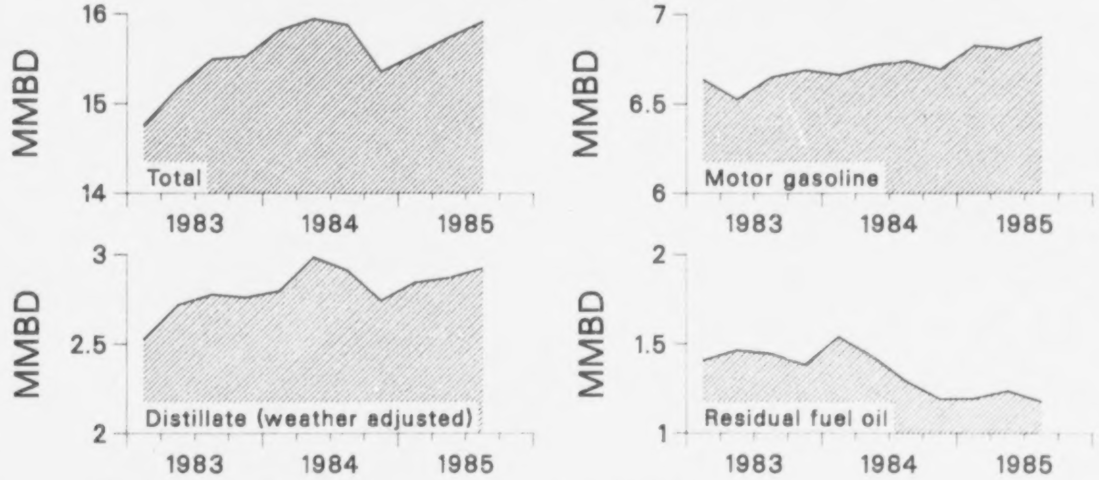
2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 489 million barrels as of September 30, 1985.

Exhibit I

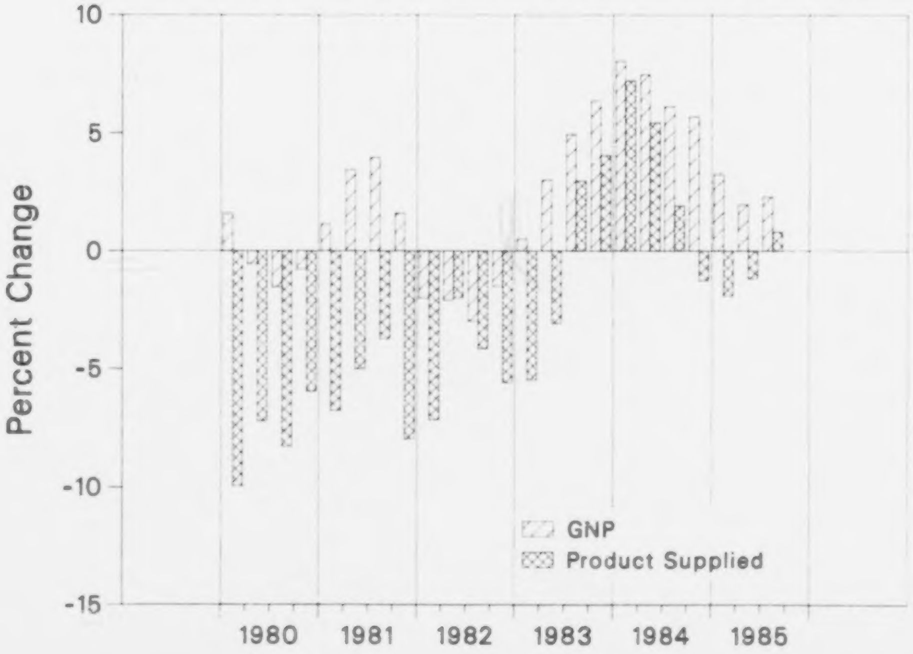
SEASONALLY ADJUSTED PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

Exhibit II

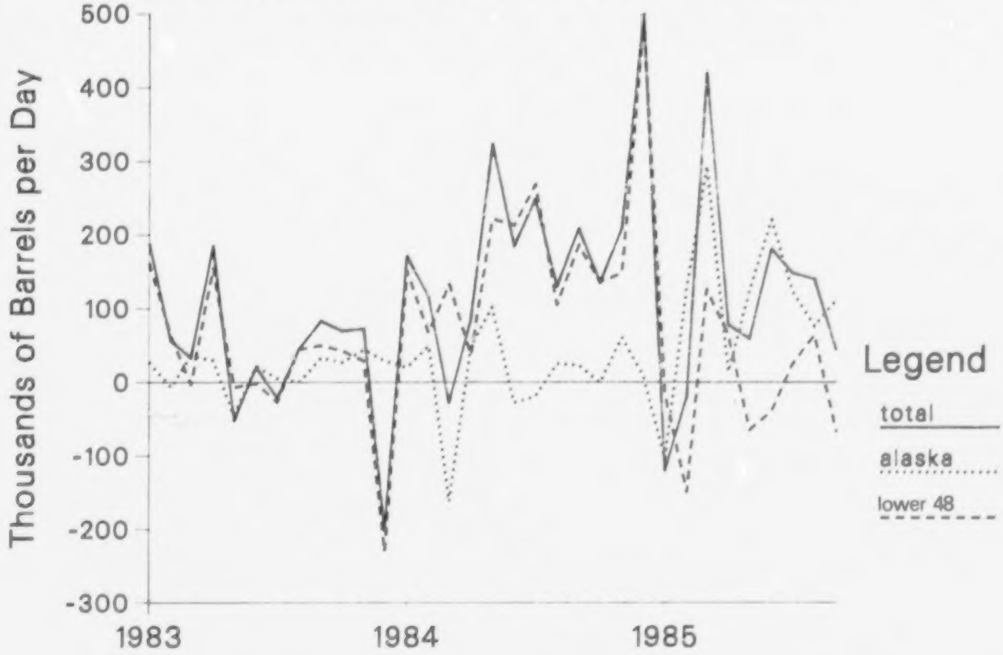
YEAR-TO-YEAR CHANGE
GNP AND TOTAL PRODUCT SUPPLIED



Sources: Department of Commerce, Department of Energy, American Petroleum Institute

Exhibit III

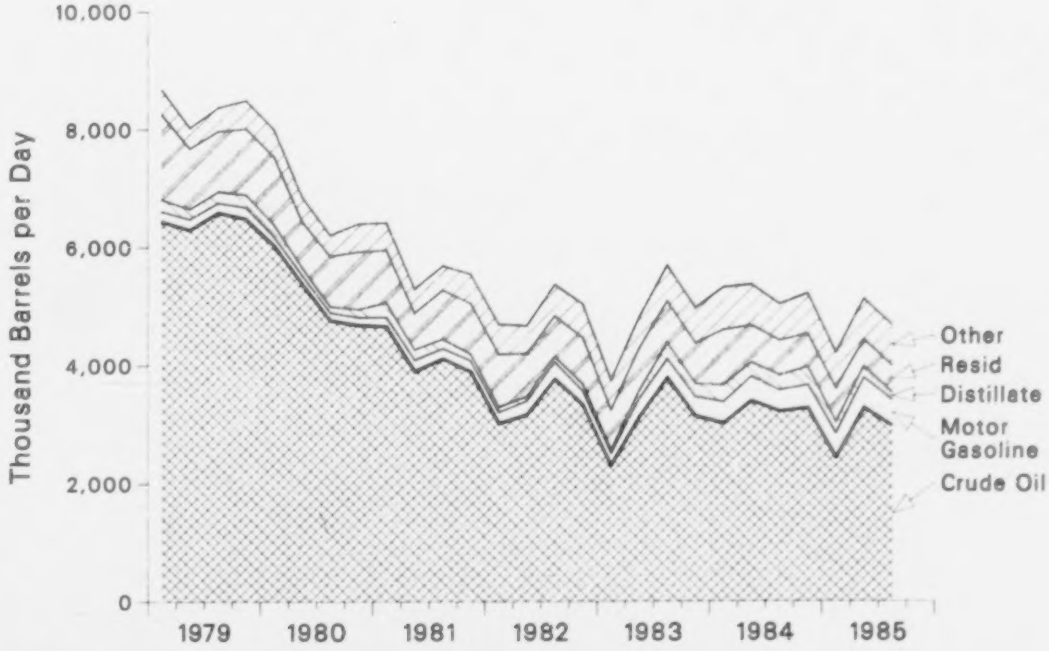
Year-to-Year Changes in Domestic Crude Oil Production



Source: Dept. of Energy and American Petroleum Institute

Exhibit IV

IMPORTS OF CRUDE AND MAJOR PRODUCTS BY QUARTERS



Note: Motor gasoline includes blending components.
Sources: Department of Energy, American Petroleum Institute

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	SEPTEMBER			YEAR-TO-DATE		
	1985[1]	**1984[2]**	% Change	**1985[3R]**	**1984[2]**	% Change
Products Supplied:						
Total motor gasoline	6,829	6,588	3.7	6,835	6,692	2.1
Finished leaded motor gasoline*	2,389	2,615	(8.6)	2,478	2,765	(10.4)
Finished unleaded motor gasoline*	4,440	3,973	11.8	4,357	3,927	10.9
Naphtha-jet	227	230	(1.3)	218	225	(3.1)
Kerosine-jet	1,025	977	4.9	964	939	2.7
Distillate fuel oil	2,626	2,655	(1.1)	2,834	2,854	(0.7)
Residual fuel oil	1,094	1,168	(6.3)	1,202	1,426	(15.7)
All other oils[4]	3,971	3,882	2.3	3,830	3,858	(0.7)
Reclassified[5]	- 217	- 250	(13.2)	- 213	- 204	4.4
Total domestic products supplied	15,555	15,250	2.0	15,670	15,790	(0.8)
Exports	691	664	4.1	731	691	5.8
Total products supplied	16,246	15,914	2.1	16,401	16,481	(0.5)
Supply:						
Domestic production:						
Crude oil[6]	8,978	8,993	(0.2)	8,919	8,863	0.6
Natural gas liquids	1,617	1,660	(2.6)	1,615	1,620	(0.3)
Other supply[7]	630	518	21.6	812	777	4.5
Total domestic supply	11,225	11,171	0.5	11,346	11,260	0.8
Imports:						
Crude oil, total	3,055 10/	3,289 10/	(7.1)	2,897 10/	3,213 10/	(9.8)
Canadian	476	319	49.2	449	326	37.7
Other	2,579	2,970	(13.2)	2,448	2,887	(15.2)
Products, total	1,673	1,909	(12.4)	1,783	2,034	(12.3)
Residual fuel oil	541	606	(10.7)	492	722	(31.9)
Other	1,132	1,303	(13.1)	1,291	1,312	(1.6)
Total imports	4,728	5,198	(9.0)	4,680	5,247	(10.8)
Total supply	15,953	16,369	(2.5)	16,026	16,507	(2.9)
Stock change, all oils	- 293	+ 455	XXXX	- 375	+ 26	XXXX
Refinery Operations						
Input to crude oil distillation units	12,122	12,475	(2.8)	12,050	12,247	(1.6)
Operable capacity	15,619	15,994	(2.3)	15,637	16,086	(2.8)
Refinery utilization (%)[8]	77.6%	78.0%	(0.5)	77.1%	76.1%	1.3
Crude oil runs	11,973	12,271	(2.4)	11,906	12,078	(1.4)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	Sep. 30[9]	Aug. 31[9]	Sep. 30	Previous Month	Year Ago
Crude oil 10/	316.1	322.6r/	325.2	(2.0)	(2.8)
Unfinished oils	103.4	104.2r/	108.4	(0.8)	(4.6)
Total motor gasoline**	223.0	225.7r/	234.1	(1.2)	(4.7)
Finished leaded motor gasoline*	76.6	80.3r/	87.5	(4.6)	(12.5)
Finished unleaded motor gasoline*	110.1	110.4r/	106.6	(0.3)	3.3
Naphtha-jet	6.4	6.9	7.0	(7.2)	(8.6)
Kerosine-jet	35.8	35.5	38.0	0.8	(5.8)
Distillate fuel oil	117.4	115.9	142.9	1.3	(17.8)
Residual fuel oil	44.2	38.8	46.8	13.9	(5.6)
All other oils	156.9	162.3r/	179.3	(3.3)	(12.5)
Total all oi's	1,003.2	1,011.9r/	1,081.7	(0.9)	(7.3)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-July, U.S. Department of Energy, August-September, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	3rd QUARTER		
	1985[1]	**1984**[2]	% Change
Products Supplied:			
Total motor gasoline	7,023	6,840	2.7
Finished leaded motor gasoline*	2,464	2,734	(9.9)
Finished unleaded motor gasoline*	4,559	4,106	11.0
Naphtha-jet	217	240	(9.6)
Kerosine-jet	1,011	975	3.7
Distillate fuel oil	2,584	2,572	0.5
Residual fuel oil	1,101	1,208	(8.9)
All other oils[3]	4,023	3,985	1.0
Reclassified[4]	- 208	- 193	7.8
Total domestic products supplied	15,751	15,627	0.8
Exports	695	644	7.9
Total products supplied	16,446	16,271	1.1
Supply:			
Domestic production:			
Crude oil[5]	8,935	8,895	0.4
Natural gas liquids	1,610	1,643	(2.0)
Other supply[6]	869	610	42.5
Total domestic supply	11,414	11,148	2.4
Imports:			
Crude oil, total	2,974[9]	3,224[9]	(7.8)
Canadian	404	303	33.3
Other	2,570	2,921	(12.0)
Products, total	1,716	1,821	(5.8)
Residual fuel oil	460	592	(22.3)
Other	1,256	1,229	2.2
Total imports	4,690	5,045	(7.0)
Total supply	16,104	16,193	(0.5)
Stock change, all oils	- 342	- 78	XXXX
Refinery Operations			
Input to crude oil distillation units	12,367	12,394	(0.2)
Operable capacity	15,655	16,040	(2.4)
Refinery utilization (%)[7]	79.0%	77.3%	2.2
Crude oil runs	12,186	12,215	(0.2)

Stocks (millions bbls.)	3rd QUARTER		
	1985[8]	**1984**[2]	% Change
Crude oil	316.1[9]	325.2[9]	(2.8)
Unfinished oils	103.4	108.4	(4.6)
Total motor gasoline**	223.0	234.1	(4.7)
Finished leaded motor gasoline*	76.6	87.5	(12.5)
Finished unleaded motor gasoline*	110.1	106.6	3.3
Naphtha-jet	6.4	7.0	(8.6)
Kerosine-jet	35.8	38.0	(5.8)
Distillate fuel oil	117.4	142.9	(17.8)
Residual fuel oil	44.2	46.8	(5.6)
All other oils	156.9	179.3	(12.5)
Total all oils	1,003.2	1,081.7	(7.3)

1/ Source: U.S. Department of Energy, July; August-September, API.
2/ Source: U.S. Department of Energy.
3/ Includes crude losses.
4/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
5/ Includes lease condensate.
6/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
7/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
8/ Derived by interpolating API weekly stocks data.
9/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.